

AR14

HOLLINGER MINES LIMITED



annual report
rapport annuel
1977





Hollinger Mines Limited

incorporated
under the laws of Ontario
société constituée
en vertu des lois de l'Ontario

Annual Report / Rapport annuel 1977

HIGHLIGHTS	1977	1976	SOMMAIRE
Net income	\$19,665,690	\$13,718,571	Revenus nets
Earnings per share	\$4.00	\$2.79	Bénéfice par action
Dividends paid per share	\$1.944	\$1.80	Dividendes versés par action
Working capital	\$62,872,442	\$52,893,833	Fonds de roulement
Shares held in Canada	89.21%	89.1%	Actions en circulation au Canada

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Annual Meeting

Friday, May 12, 1978, 11 a.m. (Eastern Daylight Time),
Governor General Suite, Hotel Toronto,
145 Richmond Street West, Toronto.

Assemblée annuelle

Le vendredi 12 mai 1978 à 11 heures (heure avancée de l'Est),
suite du Gouverneur général, Hôtel Toronto,
145 Richmond Street West, Toronto.



JOHN A. (Bud) McDOUGALD
1908 -1978

Canada lost an internationally acclaimed business leader on March 15, 1978 with the death, at age 70, of John A. McDougald.

Mr. McDougald was Chairman of the Board and President of Argus Corporation Limited, a major shareholder (23.1%) of Hollinger Mines Limited. He became a director of Hollinger in 1950, Vice-President in 1964 and Chairman of the Executive Committee in 1965, posts that he filled with vigour and wisdom until the time of his death. He also became a director of the two principal Hollinger subsidiaries, Hollinger North Shore Exploration Company, Limited and Labrador Mining and Exploration Company Limited, in June 1961.

Mr. McDougald was born in Toronto in 1908 and early in life exhibited a high degree of interest and competence in business affairs. Later, he specialized in positioning companies to compete successfully in their particular fields of operation. Through Argus Corporation Limited he was influential in the control of a number of diversified and influential Canadian companies, including Massey-Ferguson Limited, Dominion Stores Limited, Standard Broadcasting Limited and Domtar Limited. Mr. McDougald was also active as a director of many other industrial and financial companies.

His advice, counsel and guidance will be sorely missed by his colleagues.

Le Canada a perdu un pilier international du monde des affaires le 15 mars 1978 lors du décès de M. John A. McDougald, âgé de 70 ans.

M. McDougald était président du conseil d'administration et président de Argus Corporation Limited, un des principaux actionnaires (23.1%) de Hollinger Mines Limited. Il devint un administrateur de Hollinger en 1950, fut nommé vice-président en 1964 et président du comité exécutif en 1965, postes qu'il remplit avec vigueur et sagesse jusqu'à sa mort. Il était, depuis juin 1961, un administrateur des deux filiales de Hollinger, Hollinger North Shore Exploration Company, Limited et Labrador Mining and Exploration Company Limited.

M. McDougald, né à Toronto en 1908, avait démontré dès le plus jeune âge un grand intérêt et une certaine compétence dans le monde des affaires. Plus tard il se spécialisa dans la détermination de positions concurrentielles pour des compagnies assurant ainsi leur réussite dans un domaine d'envergure déterminé.

Son influence, par l'entremise d'Argus Corporation Limited, se fit ressentir dans le contrôle de diverses importantes compagnies canadiennes telles que Massey-Ferguson Limited, Dominion Stores Limited, Standard Broadcasting Limited et Domtar Limitée. M. McDougald était aussi administrateur de plusieurs autres compagnies financières et industrielles.

Beaucoup de ses conseils et ses directives manqueront à ses collègues.

DIRECTORS / CONSEIL D'ADMINISTRATION

MAURICE ARCHER, *Montréal*

LEWIS H. M. AYRE, *St. John's, Nfld.*

DAVID M. DUNLAP, *Toronto*

*A. L. FAIRLEY, Jr., *Birmingham, Ala.*

*P. C. FINLAY, *Toronto*

A. BRUCE MATTHEWS, *Toronto*

†*JOHN A. McDOUGALD, *Toronto*

*ALLEN A. McMARTIN, *Bermuda*

DUNCAN McMARTIN, *Bermuda*

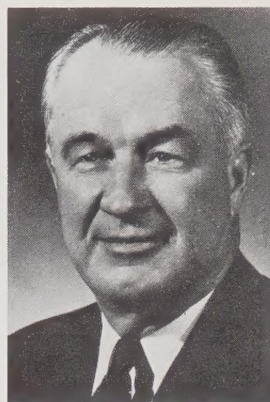
*MAXWELL C. G. MEIGHEN, *Toronto*

*Member of the Executive Committee

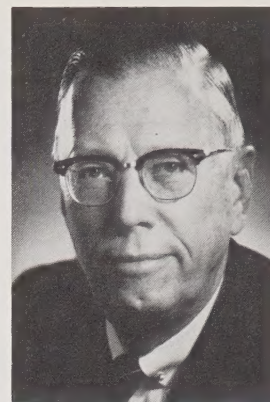
Membre du comité exécutif

†Deceased, March 15, 1978

Décédé le 15 mars 1978



ALLEN A. McMARTIN



A. L. FAIRLEY, Jr.

OFFICERS/DIRECTION

ALLEN A. McMARTIN

Chairman of the Board / Président du conseil

A. L. FAIRLEY, Jr.

President and Chief Executive Officer

Président et chef de la direction

† JOHN A. McDOUGALD

Vice-President and Chairman of the Executive Committee

Vice-président et président du comité exécutif

P. C. FINLAY

Vice-President and Treasurer / Vice-président et trésorier

C. G. COWAN

Secretary / Secrétaire

MARGARET THOMSON

Assistant Secretary / Secrétaire adjointe

C. B. ROSS

General Manager / Directeur général

HEAD OFFICE / SIÈGE SOCIAL

Suite 601, P.O. Box 221, Commerce Court East,
Toronto, Ontario M5L 1E8

COVER / COUVERTURE

The largest cargo in the history of Iron Ore Company, 181,900 tons of concentrate, moved out of the port of Sept-Îles on the Sensho Maru in April 1977.

La plus importante cargaison dans l'histoire de Iron Ore Company—181,900 tonnes de concentré—quittait en avril 1977 le port de Sept-Îles à bord du Sensho Maru.

Transfer Agents / Agents de transfert Crown Trust Company—Toronto and Montreal; Morgan Guaranty Trust Company of New York—New York **Registrars / Enregistrement** Canada Permanent Trust Company—Toronto; Montreal Trust Company—Montreal; The Royal Bank of Canada Trust Company—New York **Bankers / Banque** Bank of Montreal—Toronto **General Counsel and Solicitors / Conseillers juridiques** Holden, Murdoch, Walton, Finlay, Robinson—Toronto **Auditors / Vérificateurs-comptables** Deloitte, Haskins & Sells—Toronto.

To the Shareholders:

Your directors are pleased to submit herewith the report of Hollinger Mines Limited for the fiscal year ended December 31, 1977. This report of the company's 67th year of operation includes the financial statements of Hollinger Mines Limited consolidated with those of its subsidiaries, Hollinger North Shore Exploration Company, Limited (no personal liability) and Labrador Mining and Exploration Company Limited. Also contained in this report are the statements of earnings and retained earnings of Labrador Mining and the statement of earnings and deficit of Hollinger North Shore.

In 1977 consolidated net income of Hollinger was \$19.666 million, equal to \$4.00 a share compared to \$13.719 million or \$2.79 per share as restated for 1976.

An important element in Hollinger's higher earnings in 1977 was the improved performance of Iron Ore Company of Canada in which Hollinger has an equity interest. Also exercising a favourable influence on Hollinger's results were two extraneous circumstances. One was the prolonged strike in the iron ore fields of the Upper Great Lakes area of the U.S.A., which had the effect of reducing inventories of U.S. customers of Iron Ore Company, and the other was the exchange rate, which placed U.S. funds at a premium with respect to the Canadian dollar.

The steel industry in the U.S. and abroad continued to experience difficulties during 1977. The only price increases obtained during the year amounted to 4½% on the published price of pellets and a comparable increase on concentrate.

Investments

No significant change occurred during 1977 in Hollinger investments. At year-end they included a 60.75% interest in Labrador Mining and Exploration Company Limited and a 60% interest in Hollinger North Shore Exploration Company, Limited, subsidiaries which hold leases on iron ore lands in Newfoundland and Quebec respectively. Equities included 1,801,520 shares of Noranda Mines Limited and 847,273 shares of Iron Ore Company. Hollinger's subsidiary, Labrador Mining, holds 815,310 shares of Noranda Mines for a combined Hollinger-Labrador holding in Noranda of slightly less than 11%. Labrador Mining also holds 394,078 shares of Iron Ore Company which, combined with Hollinger's holding, represents a 12.11% interest in Iron Ore. Labrador Mining holds 300,000 shares of Domtar Limited. Together, Hollinger and Labrador Mining

hold \$5.494 million of Iron Ore Company debentures.

As reported previously, the ore purchase agreements between Iron Ore Company and its ore purchasing stockholders were extended to the year 1996 and tonnage was substantially increased. In consideration of such an extension and increases, Hollinger Mines and Labrador Mining agreed that as of January 1, 1979, the equity interest of the ore purchasing stockholders in Iron Ore Company would be increased by the purchase of shares from non-ore purchasing stockholders. As a consequence, in 1979 the equity interest of Hollinger and Labrador Mining which now totals 12.11% will become 7.15% and 3.32% respectively, for a combined holding of 10.47%.

At year-end, Iron Ore Company shares were carried at underlying equity value of \$39.388 million and the total value of Hollinger investments was \$98.224 million.

Financial Affairs

Royalties on iron ore are paid at the rate of 5% of the selling price of pellets, f.o.b. Sept-Iles, and 7% for other iron ore products. These royalties comprise the largest source of Hollinger revenue. In 1977 they amounted to about 68% of total revenue. Royalty income was higher in 1977 than in 1976.

Revenues from dividends and interest were also higher in 1977 than in 1976 as was the gain on foreign exchange. The value of Hollinger's equity in Iron Ore Company increased by \$4.070 million in 1977 after a write-down of \$1.712 million due to foreign exchange fluctuations. In 1976 Hollinger's share of equity in Iron Ore Company increased by \$2.270 million after a reduction of \$319,000 representing Hollinger's share of a prior period adjustment by Iron Ore Company.

Income taxes of \$12.840 million and Newfoundland royalty taxes of \$5.959 million were \$2.199 million above the 1976 totals when income taxes were \$11.670 million and Newfoundland royalty taxes were \$4.930 million.

The statements of Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Company, Limited, contained in this report, show that both subsidiaries had satisfactory results in 1977.

Hollinger ended the year in excellent financial condition, debt-free, with a high ratio of current assets to current liabilities and with total shareholders' equity at \$128.137 million, compared to \$118.035 million as restated for 1976.

Dividends

Dividends received by Hollinger in 1977 were fractionally higher than in 1976.

Dividends paid by Hollinger in 1977 were subject to Anti-Inflation Board control and were comprised of four quarterly payments amounting to \$1.944 per share for the year, an increase of 8% over the preceding year. The AIB restraints on dividends will continue throughout part of 1978 and dividends paid by Hollinger will conform to the guidelines of this Board.

Ore Production – Gold

In 1977 Pamour Porcupine Mines Limited mined 234,508 tons of gold ore from the Hollinger property at Timmins, Ontario, and 171,187 tons from the Ross property at Holtyre, Ontario. Under the terms provided in the agreement when the properties were sold to Pamour, Hollinger received \$386,683 from Pamour as royalty payments for the ore mined.

Ore Production – Iron

Crude ore mined by Iron Ore Company from lands of the Hollinger subsidiary Labrador Mining in 1977 amounted to 46.4 million tons and from lands of Hollinger North Shore, 3.1 million tons, for a total of 49.5 million long tons, down fractionally from the 50.4 million tons of 1976.

Sales – Iron Ore

Reduction in volume and weight as a result of processing the iron ore, together with movements in and out of stockpile, create a difference between total production of crude and total sales of product in any one year. The products sold by Iron Ore Company are direct shipping ore, concentrate and pellets. Total sales by source and product were:

Source and Product	Millions of long tons	
	1977	1976
Hollinger North Shore		
Direct shipping ore	.5	1.0
Pellets	2.0	1.7
	2.5	2.7
Labrador Mining		
Direct shipping ore	1.8	2.3
Concentrate	6.3	7.2
Pellets (Labrador City)	10.3	10.2
Pellets (Sept-Iles)	2.7	2.0
	21.1	21.7
Total Sales	23.6	24.4

Because of the exchange rate and the small increase in ore sale prices, royalties received for this ore in 1977 amounting to \$34.028 million were higher than in 1976 although tonnages were slightly lower.

Capacity and Reserves

The Labrador City complex is designed to produce 10 million tons of pellets annually and an additional 11 million tons of concentrate. Sept-Iles has a design capacity of six million tons of pellets. To this can be added the direct shipping ore to provide a sales potential of the three products in excess of 30 million tons annually. Reserves are sufficient to support this volume of production far into the future.

Exploration

Excluding the New Kelore property write-off of \$645 thousand in 1976, total mineral exploration expenditures in 1977 by Hollinger, Labrador Mining and Hollinger North Shore were slightly lower than in the previous year. Some of the programs were carried out on a cost-sharing basis with Imperial Oil Limited and other mining companies.

All of Hollinger's exploration work was conducted in several districts of Northern Ontario on base metal and gold prospects. Nothing of economic interest was discovered but results on some properties were sufficiently encouraging to warrant further work.

Labrador Mining worked on properties in Labrador, Newfoundland, Quebec, British Columbia and the western United States. Results of drilling programs during the year were disappointing, but geophysical and geochemical work on three properties indicated areas of interesting mineralization which will be drilled in 1978.

Hollinger North Shore continued work in the Ungava district on a property shared equally with Imperial Oil Limited. Drilling disclosed two additional zones of significant copper-nickel mineralization and a moderately expanded program is being planned on the property during 1978.

Taxes

The crippling effects of high and inconsistent taxes on the Canadian mining industry are becoming increasingly visible as exploration for new replacement orebodies diminishes in Canada while it accelerates in many other countries. An axiom of the mining industry is that, ultimately, every worked orebody is exhausted and must be replaced by a new orebody if the volume of mineral production—with its far-reaching benefits—is to be maintained. To find and develop new orebodies requires massive

high-risk, long-range investment. To attract such investments requires a tax structure that equates return with risk, that provides both tax equity and tax predictability to the industry. These elements do not now exist in the Canadian mining tax structure. The inevitable result which is becoming increasingly apparent is reduced mining exploration in Canada. This situation can only lead, within the next few years, to reduced mining activity in Canada and with it reduced employment, foreign exchange and tax revenues.

World market prices for minerals have exercised an adverse effect on levels of mining activity in Canada in recent months but this is a transient situation, subject to correction by the world mineral markets. An inhospitable tax structure, on the other hand, acts as a permanent deterrent to the investment required for mining growth and development.

Seaway Tolls

Late in 1977 it was announced that tolls on the St. Lawrence Seaway would be increased by more than 100% by 1980, with one half the increase being effective in 1978 and the balance by 1980. This decision imposes an additional cost on eastern Canada iron ore producers that does not apply to competitive producers in the Upper Great Lakes area of the continent. Ore from these producers passes toll-free to markets in the steel-making areas of north-central United States. Eastern Canada producers pay tolls on Canadian ore competing in these markets and such tolls have the effect of reducing revenue to eastern Canada producers. It is estimated that in 1978 alone the increase in these tolls will cost Iron Ore Company approximately \$4 million.

In view of the fact no other inland waterway on the continent imposes tolls on cargoes, it appears

both unfair and unnecessary that such costs should be imposed on eastern Canadian iron ore producers. It is Hollinger's opinion that tolls on the Seaway are inconsistent with continental practice and should be abolished.

The Future

As mentioned earlier, Hollinger Mines Limited is in excellent financial health. It is an important participant in a huge iron ore operation with vast reserves, and iron ore is an essential material in our society. These circumstances alone are sufficient to induce confidence in the long-term future of Hollinger but, while this outlook is valid, there are a number of less advantageous elements that should not go unnoticed in such an assessment. The continental and overseas steel industries still have far to go before returning to a state of economic health. Iron ore is essential in our society—but it is also one of the most plentiful mineral ores in the world. Competition is intense and increasing from producing countries with iron ore that is of a higher grade—and, therefore, requires less costly beneficiating—and that is nearer to tidewater, thus involving lower transportation costs. Canadian iron ore mining and processing operations use vast quantities of oil which will be even more costly in 1978 than in 1977. Canada must, therefore, depend on increasing operating efficiency to remain competitive in the world market for iron ore.

Hollinger results in the current year will probably not equal those of 1977 but, barring unforeseen developments, 1978 should nevertheless be a satisfactory year for Hollinger.

Appreciation

We wish now, in closing, to extend the appreciation of the company's Board of Directors to the management and staff of Hollinger Mines Limited for their effective work and cooperation throughout 1977.

Allen A. McMartin
Chairman

A. L. Fairley, Jr.
President

SHARE INFORMATION

The common stock of Hollinger Mines Limited is traded on the New York, Toronto and Montreal stock exchanges. The quarterly high and low sales prices and quarterly dividends paid for 1977 and 1976 are shown here.

Quarter	Sale price per share				Dividends per share	
	1977		1976		1977	1976
	High	Low	High	Low		
1	\$31¾	\$27¾	\$35½	\$28¼	\$.486	\$.45
2	32	29½	37½	35	.486	.45
3	33¼	30	38½	32	.486	.45
4	30½	28½	33¼	26½	.486	.45

April 10, 1978.

CONSOLIDATED BALANCE SHEET as at December 31, 1977

With prior year's figures for comparison

ASSETS	1977	1976
CURRENT ASSETS:		
Cash and short-term deposits	\$ 55,055,258	\$ 46,848,831
Accounts receivable	11,485,818	9,883,080
Total current assets	66,541,076	56,731,911
INVESTMENTS:		
Iron Ore Company of Canada (Note 2)	44,881,647	40,811,753
Securities with quoted market value (quoted market value, 1977 — \$69,989,083; 1976 — \$80,750,568)	53,026,523	53,124,911
Securities with no quoted market value	316,084	376,277
Total investments	98,224,254	94,312,941
MINING PROPERTIES, RIGHTS AND CONCESSIONS	2,281,077	2,287,607
PROPERTY, PLANT AND EQUIPMENT — net (Note 3)	220,885	234,979
TOTAL	\$167,267,292	\$153,567,438

AUDITORS' REPORT

To the Shareholders of Hollinger Mines Limited:

We have examined the consolidated balance sheet of Hollinger Mines Limited as at December 31, 1977 and the consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We did not examine the financial statements of the subsidiary companies or of the Iron Ore Company of Canada, the investment in which is accounted for on an equity basis. In regard to these companies, we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, based upon our examination and the reports of other auditors referred to above, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after restatement of the financial statements for that year as explained in Note 2 to the financial statements.

Toronto, Ontario
January 29, 1978

Deloitte, Haskins & Sells
Chartered Accountants

<i>LIABILITIES AND SHAREHOLDERS' EQUITY</i>	1977	1976
CURRENT LIABILITIES:		
Accounts payable and accrued charges	\$ 229,538	\$ 201,468
Dividends payable	87,343	—
Income taxes payable	1,685,758	2,215,408
Newfoundland royalty taxes payable	1,665,995	1,421,202
Total current liabilities	3,668,634	3,838,078
MINORITY INTERESTS — interests of minority shareholders in subsidiary companies (Note 2)	35,462,114	31,694,026
SHAREHOLDERS' EQUITY:		
Capital stock (Note 4):		
Authorized — 5,000,000 shares of no par value		
Issued and fully paid — 4,920,000 shares	24,600,000	24,600,000
Retained earnings	103,536,544	93,435,334
Total shareholders' equity	128,136,544	118,035,334
TOTAL	\$167,267,292	\$153,567,438

Approved by the Board:

Allen A. McMartin }
A. L. Fairley, Jr. } Directors

The notes on pages 10-11 are an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS *for the year ended December 31, 1977*

With prior year's figures for comparison

	1977	1976
REVENUE:		
Royalties	\$ 34,027,549	\$29,170,768
Dividends	4,930,196	4,500,196
Interest	3,698,436	3,376,724
Iron Ore Company of Canada (Note 2)	4,414,999	2,567,312
Gain on foreign exchange	1,106,012	888,139
Other income	691,108	485,288
Gold and silver production (Note 5)	—	615,932
Total revenue	48,868,300	41,604,359
EXPENSE:		
Exploration (Note 6)	1,185,611	1,883,047
Administration	1,401,911	1,366,666
Mining operations (Note 5)	—	1,553,582
Total expense	2,587,522	4,803,295
INCOME BEFORE TAXES AND MINORITY INTERESTS	46,280,778	36,801,064
TAXES:		
Income taxes	12,840,000	11,670,000
Newfoundland royalty taxes	5,959,000	4,930,000
	18,799,000	16,600,000
INCOME BEFORE MINORITY INTERESTS	27,481,778	20,201,064
MINORITY INTERESTS (Note 2)	7,816,088	6,482,493
NET INCOME FOR THE YEAR	19,665,690	13,718,571
RETAINED EARNINGS AT BEGINNING OF THE YEAR:		
As previously reported	94,132,734	88,991,150
Iron Ore Company of Canada adjustment, less minority interests (Note 2)	(697,400)	(418,387)
As restated	93,435,334	88,572,763
DIVIDENDS	(9,564,480)	(8,856,000)
RETAINED EARNINGS AT END OF THE YEAR	\$103,536,544	\$93,435,334
EARNINGS PER SHARE (Note 2)	\$4.00	\$2.79

The notes on pages 10-11 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1977

With prior year's figures for comparison

	1977	1976
WORKING CAPITAL PROVIDED:		
Income before minority interests	\$27,481,778	\$20,201,064
Items not affecting working capital:		
Depreciation	48,309	98,185
Increase in equity in Iron Ore Company of Canada (Note 2)	(4,069,894)	(2,269,945)
Loss (gain) on sale of investments	55,889	(20,290)
Loss on sale of mine assets (Note 5)	—	321,879
Write-off of cost of mining property (Note 6)	—	644,953
Provided from operations	23,516,082	18,975,846
Recoveries on investments	102,692	147,978
Sale of non-current mine assets	—	34,190
Total	23,618,774	19,158,014
WORKING CAPITAL APPLIED:		
Dividends paid:		
By parent company	9,564,480	8,856,000
By subsidiaries to minority shareholders	4,048,000	3,917,096
Equipment and mining property expenditures—net	27,685	58,262
Total	13,640,165	12,831,358
INCREASE IN WORKING CAPITAL FOR THE YEAR	9,978,609	6,326,656
WORKING CAPITAL AT BEGINNING OF THE YEAR	52,893,833	46,567,177
WORKING CAPITAL AT END OF THE YEAR	\$62,872,442	\$52,893,833
WORKING CAPITAL CHANGES—increase (decrease):		
Cash and short-term deposits	\$ 8,206,427	\$ 4,932,956
Accounts receivable	1,602,738	727,016
Materials and supplies	—	(496,264)
Accounts payable and accrued charges	(28,070)	269,254
Dividends payable	(87,343)	—
Income taxes payable	529,650	346,666
Newfoundland royalty taxes payable	(244,793)	547,028
INCREASE IN WORKING CAPITAL FOR THE YEAR	\$ 9,978,609	\$ 6,326,656

The notes on pages 10-11 are an integral part of the consolidated financial statements.

1. Significant Accounting Policies:

Principles of consolidation: The consolidated financial statements include the accounts of Hollinger Mines Limited and its subsidiaries as follows:

Labrador Mining and Exploration Company Limited
Hollinger North Shore Exploration Company, Limited

Investments: Investments are accounted for as follows:

Iron Ore Company of Canada — the equity method is used to account for the investment in shares; debentures are carried at cost.

Other securities — carried at cost or, in the event of permanent impairment in value, at net realizable value.

Mining properties, rights and concessions: Mining properties, rights and concessions are carried at cost less amounts written off. Costs are written off at such time as the likelihood of realization becomes remote.

Property, plant and equipment: Property, plant and equipment are carried at cost. Depreciation is provided at rates varying from 10% to 30% using the declining-balance method. Profit or loss on retirement or disposal is included in current operations.

Income taxes: Income taxes are provided in the year transactions affect net income regardless of when such transactions are recognized for tax purposes.

Translation of foreign currencies: Transactions of foreign currencies are translated at the rates which prevailed at the dates of the transactions; foreign currency current assets and liabilities are translated at the rates prevailing at the end of the year.

The financial statements of Iron Ore Company of Canada, which are in United States dollars, are translated in the same manner; however, revenue and expenses are translated at the average rate for the year except for depreciation, depletion and amortization which are based on the cost of the related non-current assets as translated.

2. Iron Ore Company of Canada:

Details of the investment in, and revenue from, the Iron Ore Company of Canada are as follows:

Investment:	1977	1976
Shares:		
Equity at beginning of the year:		
As previously reported	\$36,114,673	\$33,526,061
Adjustment for leases capitalized	(796,528)	(477,861)
As adjusted	35,318,145	33,048,200
Increase during the year	4,069,894	2,269,945
Equity at end of the year	39,388,039	35,318,145
Debentures	5,493,608	5,493,608
Total	\$44,881,647	\$40,811,753
Revenue:		
Increase in equity during the year:		
As previously reported	\$ —	\$ 2,588,612
Adjustment for leases capitalized	—	(318,667)
Equity in reported net income	5,781,409	2,269,945
Unrealized exchange loss on translation of net assets	(1,711,515)	—
Net increase in equity	4,069,894	2,269,945
Debenture interest	345,105	297,367
Total	\$ 4,414,999	\$ 2,567,312

Adjustment for leases capitalized: Effective January 1, 1977 the Iron Ore Company of Canada adopted, on a retroactive basis, the practice of capitalizing financing leases as recommended by statement number 13 of the Financial Accounting Standards Board of the American Institute of Certified Public Accountants. To reflect this practice, the company has restated the affected 1976 comparative figures including earnings per share which have been reduced by \$0.06.

3. Property, Plant and Equipment:

The major categories of property, plant and equipment and related accumulated depreciation are as follows at December 31:

	1977			1976
	Cost	Accumulated Depreciation	Net	Net
Mining ore cars	\$5,473,561	\$5,394,552	\$ 79,009	\$ 98,761
Other	1,291,369	1,149,493	141,876	136,218
	<u>\$6,764,930</u>	<u>\$6,544,045</u>	<u>\$220,885</u>	<u>\$234,979</u>

4. Capital Stock:

The issued capital stock at December 31 is as follows:

	1977	1976
Class A shares	4,351,194	4,341,425
Class B shares	568,806	578,575
Total	<u>4,920,000</u>	<u>4,920,000</u>

The Class A and Class B shares are fully voting and are convertible into each other on a one-for-one basis. The only distinction between the two classes of shares is that the directors may, in declaring a dividend on the Class B shares, specify that the dividend shall be paid out of tax-paid undistributed surplus.

5. Mining Operations:

During 1976 the operations of, and the assets related to, the mines operated by the company were sold for \$600,000 payable by June 1, 1978, plus a royalty on ore mined and milled which varies with the price of gold and terminates if mining rights are relinquished to the Crown. The loss on disposal of \$321,879 is included in mining operations expense.

6. Exploration Expense:

In 1976 the company determined that the likelihood of realizing costs amounting to \$644,953 incurred with respect to a mining property was remote, and accordingly wrote these off as exploration expense.

7. Income Taxes:

The company has available for application against taxable income of future years operating losses of approximately \$1,625,000, which expire principally in 1981, and other amounts aggregating approximately \$1,150,000 which are available indefinitely for application against resource income primarily.

8. Anti-Inflation Legislation:

Under the Federal anti-inflation legislation the maximum dividend the company may declare in the twelve months ending October 13, 1978 is \$2.06064 per share or \$0.51516 per share quarterly.

The company and its subsidiaries comply with the restraints imposed by the legislation.

9. Remuneration of Directors and Senior Officers:

The remuneration of directors and senior officers, as defined in The Business Corporations Act, Ontario, for the year ended December 31, 1977 amounted to \$361,722 (1976 — \$346,939).

10. Prior Year's Figures:

Certain of the 1976 figures provided for comparison have been reclassified to conform to the presentation adopted in 1977.

LABRADOR MINING AND EXPLORATION COMPANY LIMITED

Incorporated under the laws of Newfoundland

STATEMENT OF EARNINGS *Year ended December 31, 1977*

	1977	1976
Revenue from royalties on iron ore	\$30,262,023	\$25,953,888
Expenditure		
Exploration expenses	656,571	514,816
Administrative expenses	660,024	617,513
Depreciation	17,409	19,153
	1,334,004	1,151,482
Earnings from operations	28,928,019	24,802,406
Other income		
Iron Ore Company of Canada		
Increase in equity (note 2)	1,290,536	719,784
Interest on debentures	109,974	93,495
Dividends received	1,218,372	1,338,372
Other interest	2,619,192	2,238,566
Foreign exchange gain	785,297	678,701
Ore car rental and sundry income	122,090	124,991
	6,145,461	5,193,909
Earnings before taxes	35,073,480	29,996,315
Taxes		
Newfoundland royalty taxes	5,959,000	4,930,000
Income taxes	11,710,000	10,500,000
	17,669,000	15,430,000
NET EARNINGS	\$17,404,480	\$14,566,315
EARNINGS PER SHARE	\$5.27	\$4.41

The notes on page 13 are an integral part of the financial statements of Labrador Mining and Exploration Company Limited.

Authorized capital consists of 4,000,000 shares of \$1 par value, of which 3,300,000 shares are issued. Hollinger Mines Limited holds 2,004,777 of these shares.



STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1977

	1977	1976
BALANCE AT BEGINNING OF YEAR		
As previously reported	\$74,674,838	\$67,267,476
Adjustment for leases capitalized by Iron Ore Company of Canada (note 3)	(252,574)	(151,527)
As restated	74,422,264	67,115,949
Net earnings	17,404,480	14,566,315
Dividends	(7,840,800)	(7,260,000)
BALANCE AT END OF YEAR	\$83,985,944	\$74,422,264

Notes to Financial Statements of Labrador Mining and Exploration Company Limited

December 31, 1977

1. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated at the rates which prevailed at the dates of the transactions; foreign currency current assets and current liabilities are translated at the rate prevailing at the end of the year.

The financial statements of Iron Ore Company of Canada which are in United States dollars are translated in a similar manner; however, revenue and expenses are translated at the average rate for the year except for depreciation, depletion and amortization which are based on the cost of the related non-current asset as translated.

2. INCREASE IN EQUITY IN IRON ORE COMPANY OF CANADA

	1977	1976
Equity in earnings before translation of net assets	\$1,833,246	\$719,784
Unrealized exchange loss on translation of net assets	542,710	—
	<u>\$1,290,536</u>	<u>\$719,784</u>

3. CHANGE IN ACCOUNTING PRACTICE

Effective January 1, 1977, the Iron Ore Company of Canada adopted, on a retroactive basis, the practice of capitalizing financing leases. The 1976 comparative figures affected by the adoption of this practice have been restated.

4. ANTI-INFLATION LEGISLATION

Under the Anti-Inflation Act, the maximum dividend per share that the company can declare in the twelve months ending October 13, 1978 is \$2.51856 or \$.62964 quarterly, based on the company's policy of paying quarterly dividends.

The company is complying with the restraints imposed by the legislation.

5. OTHER STATUTORY INFORMATION

	1977	1976
Remuneration of directors and senior officers	\$225,682	\$210,802
Loans to senior officers at end of year	\$ 13,868	\$ 25,680

HOLLINGER NORTH SHORE EXPLORATION COMPANY, LIMITED

No Personal Liability

Incorporated under the Quebec Mining Companies Act

Authorized capital consists of 15,000,000 5% non-voting, non-cumulative redeemable preferred shares of \$1 par value each, of which 12,131,875 shares were issued and subsequently redeemed, and 10,000,000 common shares of \$1 par value each, of which 2,426,375 shares are issued. Hollinger Mines Limited holds 1,455,825 of these shares.

STATEMENT OF EARNINGS

AND DEFICIT Year ended December 31, 1977

	1977	1976
Income from royalties on iron ore	\$3,765,526	\$3,216,880
Expenditure		
Exploration expenses	186,400	360,025
Administrative expenses	277,345	292,876
Depreciation	13,880	18,687
	477,625	671,588
Earnings from operations	3,287,901	2,545,292
Other income		
Interest on debentures	11,125	8,654
Other interest	55,028	117,269
Foreign exchange gain	—	155,713
Ore car rental and sundry income	238,377	256,407
	304,530	538,043
Earnings before income taxes	3,592,431	3,083,335
Income taxes	1,130,000	1,170,000
NET EARNINGS	2,462,431	1,913,335
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	(701,534)	54,144
	1,760,897	1,967,479
Dividends paid	2,426,375	2,669,013
DEFICIT AT END OF YEAR	\$ 665,478	\$ 701,534
EARNINGS PER SHARE	\$1.01	\$.79

Notes to Financial Statements of Hollinger North Shore Exploration Company, Limited

Year ended December 31, 1977

1. Mining Properties

By an agreement dated January 1, 1970 the company acquired from an affiliated company certain undeveloped mining properties and exploration expenses in consideration for the assumption of its indebtedness to shareholders aggregating \$2,578,000. This indebtedness is only repayable out of profits, if any, derived by the company from these mining properties.

2. Anti-Inflation Legislation

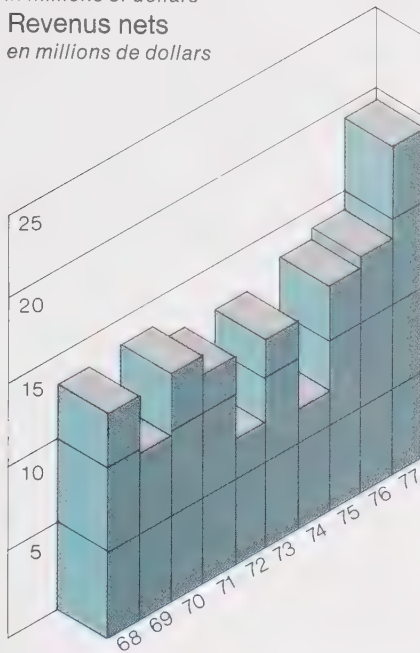
Under the Anti-Inflation Act, the maximum dividend per share that the company can declare in the twelve months ending October 13, 1978 is \$1.2593.

The company is complying with the restraints imposed by the legislation.

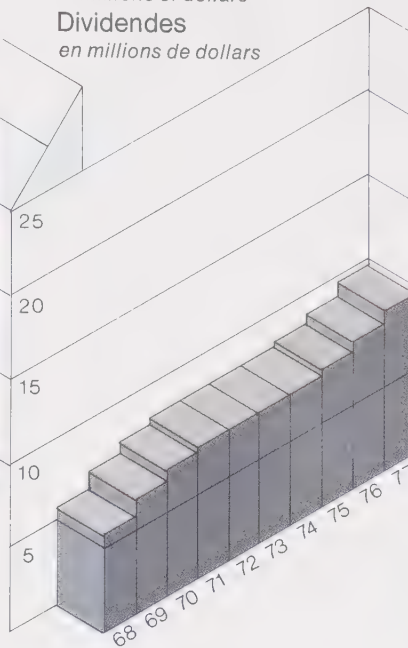
3. Statutory Information

Remuneration of directors and senior officers was \$116,291 in 1977 and \$152,615 in 1976.

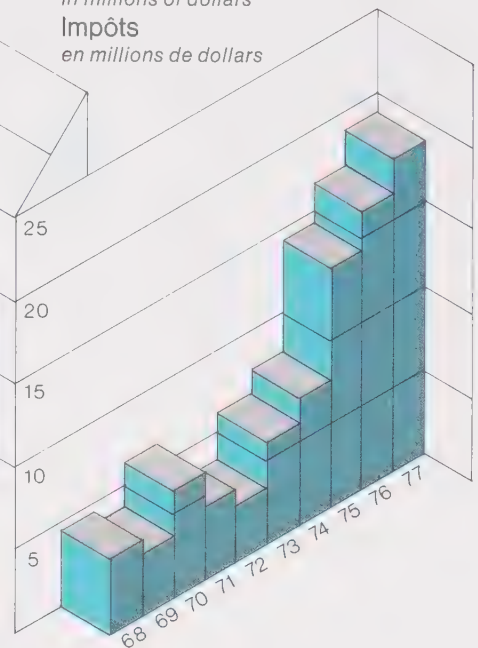
Net Income
in millions of dollars
Revenus nets
en millions de dollars



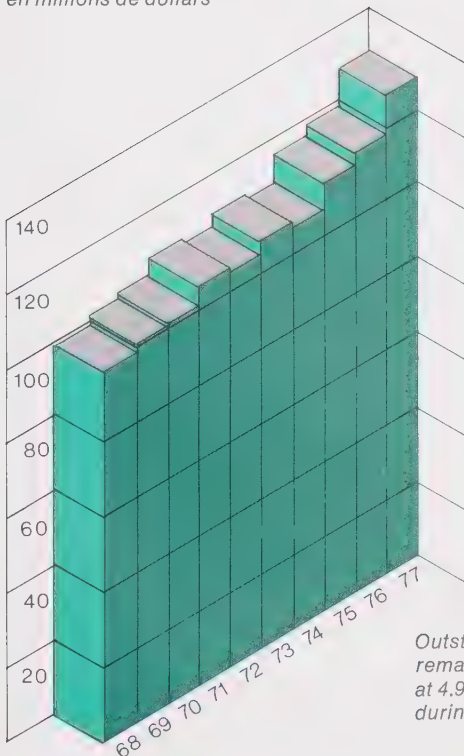
Dividends
in millions of dollars
Dividendes
en millions de dollars



Taxes
in millions of dollars
Impôts
en millions de dollars



Shareholders' Equity
in millions of dollars
Avoir des actionnaires
en millions de dollars



Outstanding shares
remained constant
at 4.92 million
during this period.

Le nombre des actions
en circulation
est resté constant
à 4.92 millions
pendant la période.

Shareholders of Record / Répartition des actionnaires

as at December 31, 1967 - 1977 / au 31 décembre 1967 - 1977

Residence Domicile	Shareholders Actionnaires		%		Shares Actions		%	
	1967	1977	1967	1977	1967	1977	1967	1977
Canada	5,913	3,231	81.32	78.97	4,156,914	4,389,313	84.49	89.21
USA États-Unis	1,196	736	16.45	17.98	303,098	158,400	6.16	3.22
UK Royaume-Uni	61	40	.84	.98	46,187	18,654	.94	.38
Others Autres	101	85	1.39	2.07	413,801	353,633	8.41	7.19
TOTAL	7,271	4,092	100.00	100.00	4,920,000	4,920,000	100.00	100.00



CONSOLIDATED FINANCIAL REVIEW 1968-77 *in thousands of dollars*
RÉSUMÉ FINANCIER CONSOLIDÉ *en milliers de dollars*

	1977
Income from royalties / Revenu de redevances	\$34,028
Gold and silver production / Production d'or et d'argent	—
Dividends / Dividendes perçus	4,930
Interest / Intérêts	4,043
Share of increase (decrease) in equity in Iron Ore Company of Canada Quote-part de l'augmentation (diminution) de la valeur de participation dans Iron Ore Company of Canada	4,070
Other income / Revenus divers	1,797
Total revenue / Total des revenus	48,868
Expense / Dépenses	2,587
Income before taxes / Revenu avant impôts	46,281
Income taxes / Impôts sur le revenu	12,840
Newfoundland royalty tax / Impôts sur les redevances, Terre-Neuve	5,959
Income before extraordinary item / Revenus avant poste extraordinaire	27,482
Extraordinary item / Poste extraordinaire	—
Income before minority interests / Revenus avant participations minoritaires	27,482
Minority interests / Participations minoritaires	7,816
Net income for year / Revenus nets de l'exercice	\$19,666
Earnings per share / Bénéfice, par action	\$4.00
Dividends paid per share / Dividendes versés, par action	\$1.944

*Restated in 1977 to reflect Hollinger's equity share of a prior period adjustment by Iron Ore Company of Canada for the capitalization of leases.

†In 1971 the company adopted the policy of including in income its proportionate share of the change in its equity in Iron Ore Company of Canada instead of dividends received. 1970 figures are restated to reflect this policy.

HOLLINGER MINES LIMITED

1976*	1975	1974	1973	1972	1971	1970†	1969	1968
29,171	\$25,748	\$19,736	\$15,096	\$ 9,125	\$12,342	\$14,439	\$ 9,751	\$12,056
616	2,651	2,718	1,957	1,442	920	750	855	2,260
4,500	6,521	5,221	4,225	3,450	3,606	3,414	7,253	8,717
3,674	3,381	2,901	2,481	1,742	1,693	2,303	1,951	1,442
2,270	30	(7,041)	1,687	770	4,618	6,668	—	—
1,373	890	503	567	397	877	618	742	1,040
11,604	39,221	24,038	26,013	16,926	24,056	28,192	20,552	25,515
4,803	5,625	4,660	3,664	3,577	3,347	3,412	3,355	4,267
36,801	33,596	19,378	22,349	13,349	20,709	24,780	17,197	21,248
11,670	9,750	7,425	6,006	3,180	4,380	6,075	3,958	4,775
4,930	4,550	—	—	—	—	—	—	—
20,201	19,296	11,953	16,343	10,169	16,329	18,705	13,239	16,473
—	—	—	376	—	—	(626)	—	—
20,201	19,296	11,953	16,719	10,169	16,329	18,079	13,239	16,473
6,482	5,841	4,824	4,542	2,823	4,135	4,687	3,368	4,173
3,719	\$13,455	\$ 7,129	\$12,177	\$ 7,346	\$12,194	\$13,392	\$ 9,871	\$12,300
\$2.79	\$2.73	\$1.45	\$2.47	\$1.49	\$2.48	\$2.72	\$2.01	\$2.50
\$1.80	\$1.65	\$1.60	\$1.60	\$1.60	\$1.60	\$1.50	\$1.40	\$1.20

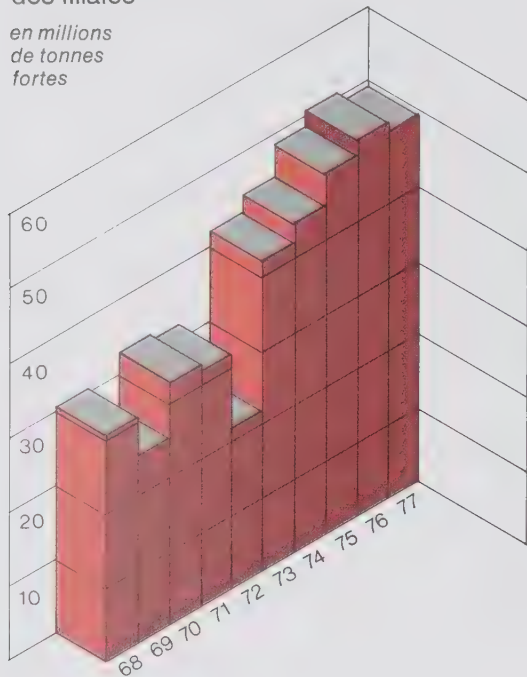
*Redressé en 1977 pour tenir compte de la quote-part de Hollinger dans un redressement effectué par Iron Ore Company of Canada sur une période antérieure relativement à la capitalisation de baux.

†À compter de 1971 la compagnie a inclus dans ses revenus sa quote-part de l'évolution de la valeur de sa participation dans Iron Ore Company of Canada au lieu des dividendes perçus. Les chiffres de 1970 sont ici redressés en conséquence.



Crude Ore Mined from Subsidiaries' Lands
in millions of long tons
Production de minerai des terrains des filiales

en millions de tonnes fortes

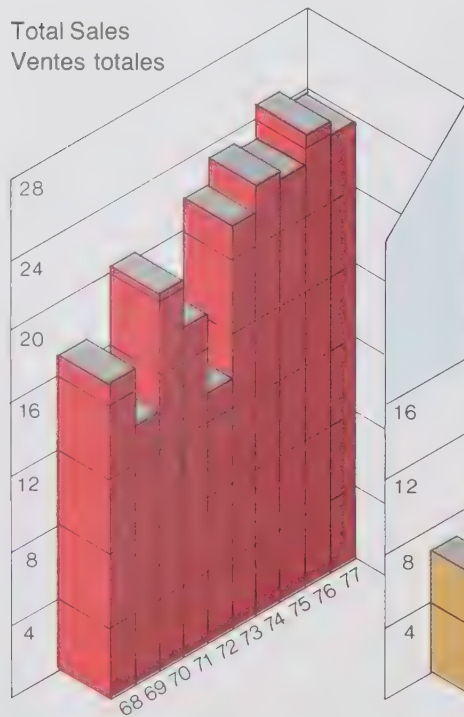


Iron Ore Shipments by Route
in millions of long tons
Ventilation des expéditions de minerai
en millions de tonnes fortes

	Orient	Europe	Eastern Seaboard U.S.A.	Seaway U.S.A.	Seaway Canada	Totals
			Côte est des États-Unis	Voie Maritime États-Unis	Voie Maritime Canada	Total
1977	3.41	5.21	5.49	10.17	.54	24.82
1976	4.09	7.41	4.80	7.97	.43	24.70
1975	3.16	6.97	5.31	5.98	.98	22.40
1974	2.45	6.56	4.59	6.03	.84	20.47
1973	1.85	5.83	4.76	7.17	.74	20.35
1972	.18	4.77	4.28	3.63	.74	13.60
1971	.75	5.58	5.77	4.01	1.08	17.19
1970	.63	7.53	6.84	4.27	.84	20.11
1969	.12	4.41	4.21	2.76	1.15	12.65
1968	.03	5.05	6.13	4.36	.90	16.47

Product Sales from Subsidiaries' Lands
in millions of long tons

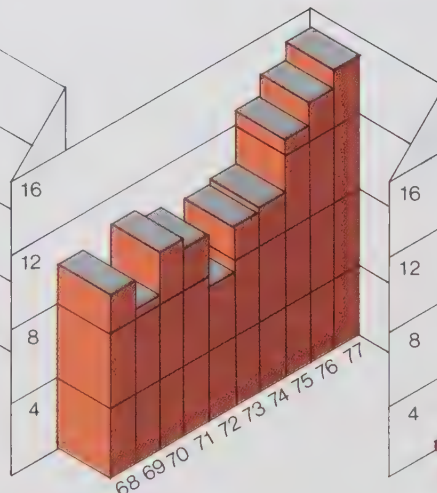
Total Sales
Ventes totales



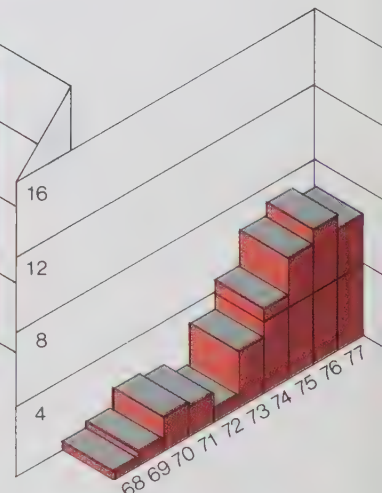
Direct Shipping Ore
Minerai non traité



Pellets
Boulettes



Concentrate
Concentré





Smallwood iron ore mine at Labrador City.

La mine de fer Smallwood à Labrador City.

A record cargo of 181,900 tons of concentrate moves away from Iron Ore Company dock at Sept-Îles on the Sensho Maru in April 1977.

Une cargaison établissant un record à 181,900 tonnes de concentré quitte le port de l'Iron Ore Company à Sept-Îles en avril 1977 à bord du Sensho Maru.





ALLEN A. McMARTIN



A. L. FAIRLEY, Jr.

Messieurs les actionnaires,

Vos administrateurs ont le plaisir de vous présenter le rapport d'activités de Hollinger Mines Limited pour l'exercice clos le 31 décembre 1977. Vous trouverez dans ce 67^{ème} rapport annuel les états financiers de Hollinger Mines Limited, consolidés avec ceux de ses filiales, Hollinger North Shore Exploration Company, Limited (libre de responsabilité personnelle) et Labrador Mining and Exploration Company Limited. Sont également inclus dans ce rapport, les états des bénéfices et des bénéfices non répartis de Labrador Mining et l'état des bénéfices et du déficit de Hollinger North Shore.

Pour l'exercice 1977, les revenus nets de Hollinger s'établissent à \$19.666 millions, soit \$4.00 par action, alors que les chiffres redressés de 1976 atteignaient respectivement \$13.719 millions et \$2.79 par action.

La hausse des revenus de Hollinger en 1977 est due en grande partie à l'augmentation des bénéfices d'Iron Ore Company of Canada, dans laquelle Hollinger possède une participation. Deux éléments externes ont également contribué à l'amélioration des résultats de la compagnie; d'une part la grève prolongée survenue chez les producteurs de minerai de fer américains de la région supérieure des Grands Lacs a contribué à réduire les stocks des clients d'Iron Ore Company aux États-Unis et, d'autre part, l'évolution des taux de change a permis de dégager une prime sur la conversion des dollars américains en dollars canadiens.

Aux États-Unis comme à l'étranger, la sidérurgie a continué de faire face à certaines difficultés en

1977. La seule augmentation de prix obtenue au cours de l'exercice s'est chiffrée à 4½% sur le cours officiel des boulettes et du concentré.

Placements

Aucune modification sensible n'a été apportée au portefeuille de Hollinger en 1977. À la clôture de l'exercice, il se composait de participations de 60.75% dans Labrador Mining and Exploration Company Limited et de 60% dans Hollinger North Shore Exploration Company, Limited; ces filiales détiennent des baux sur des terrains miniers situés respectivement à Terre-Neuve et au Québec. Hollinger possède également 1 801 520 actions de Noranda Mines Limited et 847 273 actions d'Iron Ore Company. Labrador Mining, filiale de Hollinger, détenant 815 310 actions de Noranda Mines, la participation globale de Hollinger et Labrador dans Noranda est par conséquent légèrement inférieure à 11%. Labrador Mining possède d'autre part 394 078 actions d'Iron Ore Company, ce qui, avec celles dont dispose Hollinger, représente une participation de 12.11% dans Iron Ore. Labrador Mining détient également 300 000 actions de Domett Limited. Hollinger et Labrador Mining possèdent ensemble \$5.494 millions de débentures d'Iron Ore Company.

Tel qu'indiqué précédemment, les accords d'achat de minerai passés entre Iron Ore Company et ses actionnaires acheteurs ont été reconduits jusqu'en 1996 et le tonnage a augmenté substantiellement. En contrepartie, Hollinger Mines et Labrador Mining ont accepté qu'à partir du 1^{er} janvier 1979 la participation des actionnaires acheteurs de minerai dans Iron Ore Company soit augmentée par l'acquisition des titres d'actionnaires non acheteurs de minerai. En conséquence, la participation de Hollinger et de Labrador Mining, qui s'établit actuellement à 12.11%, passera à 10.47% à raison de 7.15% et 3.32% respectivement.

À la clôture de l'exercice, les actions d'Iron Ore Company sont comptabilisées en fonction des actifs qu'elles représentent, soit \$39.388 millions et la valeur totale du portefeuille de Hollinger s'établit à \$98.224 millions.

Situation financière

Les redevances sur minerai de fer sont fixées à 5% du prix de vente pour les boulettes f.a.b. Sept-Îles et à 7% pour les autres produits. Ces redevances constituent la principale source de revenu pour Hollinger. Elles représentent environ 68% du revenu

total de 1977 et sont en hausse par rapport à l'exercice précédent.

Les dividendes et les intérêts encaissés ont également augmenté en 1977 et les gains sur change étranger sont supérieurs à ceux de 1976. La valeur de la participation de Hollinger dans Iron Ore Company a augmenté de \$4.070 millions en 1977, après un amortissement de \$1.712 million nécessité par les fluctuations des taux de change. En 1976, la valeur de la participation de Hollinger dans Iron Ore Company a augmenté de \$2.270 millions, compte tenu d'une réduction de \$319 000 correspondant à la part de Hollinger dans un redressement effectué par Iron Ore Company sur une période antérieure.

Les impôts sur le revenu s'élèvent à \$12.840 millions et l'impôt sur les redevances prélevé par Terre-Neuve à \$5.959 millions, contre \$11.670 millions et \$4.930 millions en 1976, soit une augmentation totale de \$2.199 millions par rapport à l'exercice précédent.

Les états financiers de Labrador Mining and Exploration Company Limited et de Hollinger North Shore, figurant dans ce rapport, témoignent des résultats satisfaisants enregistrés par ces deux filiales en 1977.

Hollinger a terminé l'année en excellente situation financière; la compagnie n'a pas de dettes et son ratio de trésorerie reste élevé; l'avoir des actionnaires passe de \$118.035 millions (chiffre redressé) à \$128.137 millions.

Dividendes

Les dividendes encaissés par Hollinger en 1977 sont légèrement supérieurs à ceux de 1976.

ACTIONS ORDINAIRES

Les actions ordinaires de Hollinger Mines Limited sont négociées aux Bourses de New York, Toronto et Montréal. Les fourchettes trimestrielles des cours ainsi que les dividendes trimestriels versés en 1977 et 1976 sont indiqués ci-dessous.

Trimestre	Cours				Dividendes par action	
	1977		1976		1977	1976
	Haut	Bas	Haut	Bas		
1er	\$31 ³ / ₄	\$27 ³ / ₄	\$35 ¹ / ₂	\$28 ¹ / ₄	\$.486	\$.45
2e	32	29 ¹ / ₂	37 ¹ / ₂	35	.486	.45
3e	33 ¹ / ₄	30	38 ¹ / ₂	32	.486	.45
4e	30 ¹ / ₂	28 ¹ / ₂	33 ¹ / ₄	26 ¹ / ₂	.486	.45

Les dividendes versés par Hollinger en 1977 sont assujettis aux directives de la Commission anti-inflation; quatre dividendes trimestriels de \$1.944 par action ont été versés au cours de l'année, ce qui correspond à une augmentation de 8% par rapport à l'exercice précédent. La C.A.I. maintient son contrôle sur les dividendes pour une partie de 1978 et Hollinger se conformera aux directives de la Commission.

Production de minerai d'or

En 1977, Pamour Porcupine Mines Limited a extrait 234 508 tonnes de minerai d'or des terrains Hollinger à Timmins et 171 187 tonnes des terrains Ross, à Holtyre, tous situés en Ontario. Conformément aux dispositions de l'accord passé lors de la vente de ces mines à Pamour, Hollinger a reçu \$386 683 de redevances sur le minerai extrait.

Minerai de fer—production

En 1977, Iron Ore Company a extrait 46.4 millions de tonnes de minerai brut des terrains de Labrador Mining, filiale de Hollinger, et 3.1 millions de tonnes des terrains de Hollinger North Shore, ce qui correspond à un total de 49.5 millions de tonnes fortes, légèrement inférieur aux 50.4 millions de tonnes extraites en 1976.

Minerai de fer—vente

La différence entre la quantité de minerai extrait et les tonnages vendus au cours d'un exercice est fonction des mouvements de stocks ainsi que des pertes de poids résultant de la transformation du minerai. En 1977, Iron Ore Company a vendu du minerai non traité, du concentré et des boulettes. Les ventes se répartissent comme suit:

Provenance et produits	Millions de tonnes fortes	
	1977	1976
Hollinger North Shore		
Minerai non traité	.5	1.0
Boulettes	2.0	1.7
	2.5	2.7
Labrador Mining		
Minerai non traité	1.8	2.3
Concentré	6.3	7.2
Boulettes (Labrador City)	10.3	10.2
Boulettes (Sept-Îles)	2.7	2.0
	21.1	21.7
Total	23.6	24.4

En raison de l'évolution des taux de change et d'une légère augmentation des prix de vente, les redevances perçues sur ce minerai en 1977 s'élèvent à \$34.028 millions et sont en augmentation par rapport à 1976 bien que les tonnages soient légèrement moindres.

Capacité de production et réserves

La capacité nominale du complexe de Labrador City est de 10 millions de tonnes de boulettes par an, auxquelles s'ajoutent 11 millions de tonnes de concentré. De leur côté, les installations de Sept-Îles ont une capacité de production nominale de 6 millions de tonnes de boulettes. Avec le minerai non traité, la compagnie se trouve donc en mesure d'écouler annuellement plus de 30 millions de tonnes fortes de ces trois produits. Les réserves de minerai sont suffisantes pour maintenir très longtemps ce rythme de production.



Exploration

Compte non tenu des \$645 000 de radiation sur les terrains de New Kelore en 1976, les frais d'exploration engagés par Hollinger, Labrador Mining et Hollinger North Shore ont été légèrement moindres en 1977 qu'au cours de l'exercice précédent. Certains travaux ont été effectués sur la base d'ententes de partage de frais avec la Compagnie Pétrolière Impériale Limitée et d'autres compagnies minières.

Tous les travaux d'exploration de Hollinger ont été effectués dans diverses régions du nord de l'Ontario, sur des terrains présentant des possibilités de gisements de métal commun et d'or. Aucune découverte commercialement exploitable n'a cependant été faite, mais les résultats ont été suffisamment encourageants sur certains emplacements pour justifier de nouveaux forages.

Labrador Mining a concentré ses efforts sur des terrains situés au Labrador, à Terre-Neuve, au Québec, en Colombie-Britannique et dans l'Ouest des États-Unis. Les programmes de forage entrepris au cours de l'année ont donné des résultats décevants mais des études géophysiques et géochimiques effectuées sur trois terrains ont permis de localiser des zones de minéralisation intéressantes qui seront forées en 1978.

Hollinger North Shore a poursuivi ses travaux dans le district d'Ungava sur des terrains qu'elle partage par moitié avec la Compagnie Pétrolière Impériale. Des forages ont permis de découvrir deux nouvelles zones importantes de cupro-nickel et le programme d'exploration sera légèrement renforcé en 1978.

Impôts

L'industrie minière canadienne ressent de plus en plus nettement les effets paralysants de la hausse et du manque d'uniformité de la fiscalité, puisque l'exploration des gisements de remplacement diminue au Canada tandis qu'elle s'accélère dans d'autres pays. Par la nature même de ses activités, l'industrie minière est dans l'obligation de découvrir sans

L'usine d'Iron Ore Company à Sept-Îles a été conçue pour une capacité de six millions de tonnes de boulettes par année.

Iron Ore Company plant at Sept-Iles was designed with capacity for six million tons of pellets per year.

cesse de nouveaux gisements pour renouveler ses ressources si elle veut maintenir son rythme de production et tous les avantages qui en découlent. La découverte et la mise en valeur de nouveaux gisements nécessitent l'investissement à long terme d'importants capitaux présentant un pourcentage très élevé de risque. Pour attirer les investisseurs, l'industrie doit bénéficier d'un régime fiscal qui lui permette de dégager un rendement proportionnel au risque, de se trouver à pied d'égalité avec les autres secteurs et de planifier à long terme. Ces critères sont actuellement loin d'être atteints par la structure fiscale minière canadienne. Il n'est donc pas étonnant que l'on assiste à une réduction croissante de l'exploration minière au Canada, qui au cours des prochaines années ne peut qu'entraîner un ralentissement des activités minières et, partant, une réduction de l'emploi, des rentrées de devises et des revenus fiscaux.

L'évolution des cours mondiaux des minerais a eu des répercussions néfastes sur les activités minières au Canada au cours des derniers mois, mais il s'agit essentiellement d'une situation provisoire qui se corrigera avec le redressement du marché mondial. À l'opposé, l'aspect rébarbatif de la fiscalité décourage en permanence les investissements nécessaires à la croissance et au développement de notre industrie.

Droits de péage sur la voie maritime

Vers la fin de l'exercice, il a été annoncé que les droits de péage sur la voie maritime du Saint-Laurent seraient augmentés de plus de 100% d'ici 1980, la moitié de cette hausse étant applicable en 1978 et le reste au cours des deux années suivantes. Cette décision impose aux producteurs de minerai de fer de l'Est du Canada un fardeau supplémentaire auquel ne seront pas soumis leurs concurrents de la région supérieure des Grands Lacs. Le minerai des producteurs américains accède en effet au marché des régions sidérurgiques du centre-nord des États-Unis sans acquitter de péage alors que les droits prélevés sur le transport du minerai canadien réduisent d'autant les revenus des producteurs de l'Est du Canada. D'après les estimations, l'augmentation des droits de péage coûtera à elle seule environ \$4 millions à Iron Ore Company en 1978.

Étant donné qu'aucune des autres voies d'eau intérieures nord-américaines n'est à péage, il semble injuste et inutile de pénaliser ainsi les producteurs de minerai de fer de l'Est du Canada. Hollinger estime que l'imposition de droits de péage sur la

voie maritime du Saint-Laurent va à l'encontre des politiques généralement appliquées et devrait être abolie.

L'avenir

Comme nous l'avons mentionné précédemment, Hollinger Mines Limited est en excellente situation financière. La compagnie est l'un des éléments essentiels d'une vaste exploitation de minerai de fer disposant d'importantes réserves d'une matière première vitale pour notre société et, dans ces conditions, Hollinger devrait envisager l'avenir avec confiance. Ce contexte positif ne doit cependant pas faire oublier certains facteurs moins favorables. L'industrie sidérurgique, tant en Amérique qu'à l'étranger, a encore beaucoup à faire avant de retrouver stabilité et croissance. Si le minerai de fer est essentiel à notre société il est également l'une des ressources les plus abondantes du monde. La concurrence des pays producteurs ne cesse de se renforcer surtout lorsque ceux-ci possèdent des gisements à forte teneur, situés près des côtes, qui sont beaucoup moins coûteux à exploiter. L'extraction et la transformation du minerai de fer canadien nécessitent d'importantes quantités de pétrole dont le prix sera inévitablement plus élevé en 1978 que l'année dernière. Par conséquent, l'industrie canadienne doit améliorer son efficacité si elle désire rester concurrentielle sur le marché mondial du minerai de fer. Les résultats de cette nouvelle année n'atteindront probablement pas le niveau de ceux de 1977. Néanmoins, sauf événements imprévus, 1978 devrait être une année satisfaisante pour la compagnie.

Remerciements

Pour conclure, nous désirons présenter, au nom du conseil d'administration, nos remerciements à la direction et au personnel de Hollinger pour leur travail et leur collaboration en 1977.

Le président du conseil
Allen A. McMartin

Le président
A. L. Fairley, Jr.

Le 10 avril 1978.

BILAN CONSOLIDÉ au 31 décembre 1977
avec les chiffres de l'exercice précédent pour fin de comparaison

ACTIF	1977	1976
ACTIF À COURT TERME:		
Encaisse et dépôts à court terme	\$ 55,055,258	\$ 46,848,831
Sommes à recevoir	11,485,818	9,883,080
Total de l'actif à court terme	66,541,076	56,731,911
PLACEMENTS:		
Iron Ore Company of Canada (note 2)	44,881,647	40,811,753
Titres cotés (cours officiel: 1977 — \$69,989,083; 1976 — \$80,750,568)	53,026,523	53,124,911
Titres non cotés	316,084	376,277
Total des placements	98,224,254	94,312,941
PROPRIÉTÉS MINIÈRES, DROITS ET CONCESSIONS	2,281,077	2,287,607
IMMOBILISATIONS — nettes (note 3)	220,885	234,979
TOTAL	\$167,267,292	\$153,567,438

RAPPORT DES VÉRIFICATEURS

Aux actionnaires de Hollinger Mines Limited,

Nous avons vérifié le bilan consolidé de Hollinger Mines Limited au 31 décembre 1977 ainsi que les états consolidés du revenu et des bénéfices non répartis et de l'évolution de la situation financière de l'exercice terminé à cette date. Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues, et a comporté par conséquent les sondages et autres procédés que nous avons jugés nécessaires dans les circonstances. Nous n'avons pas vérifié les états financiers des filiales ni ceux d'Iron Ore Company of Canada dans laquelle la participation est comptabilisée à la valeur de consolidation. Pour ces compagnies, nous nous sommes basés sur les rapports des vérificateurs qui ont examiné les états financiers de celles-ci.

À notre avis, qui est basé sur notre vérification et sur les rapports des autres vérificateurs susmentionnés, ces états financiers consolidés présentent fidèlement la situation financière de la compagnie au 31 décembre 1977 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus, appliqués de la même manière qu'au cours de l'exercice précédent, après redressement des états financiers de cet exercice, tel qu'expliqué à la note 2 des états financiers.

Toronto (Ontario)
le 29 janvier 1978

Deloitte, Haskins & Sells
comptables agréés

<i>PASSIF ET AVOIR DES ACTIONNAIRES</i>	1977	1976
PASSIF À COURT TERME:		
Sommes à payer et frais courus	\$ 229,538	\$ 201,468
Dividendes à payer	87,343	—
Impôts sur le revenu à payer	1,685,758	2,215,408
Impôts à payer sur redevances (Terre-Neuve)	1,665,995	1,421,202
Total du passif à court terme	3,668,634	3,838,078
PARTICIPATIONS MINORITAIRES:		
Participations des actionnaires minoritaires dans les filiales (note 2)	35,462,114	31,694,026
AVOIR DES ACTIONNAIRES:		
Capital-actions (note 4):		
Actions autorisées — 5,000,000 actions sans valeur au pair;		
Actions émises et entièrement libérées — 4,920,000 actions	24,600,000	24,600,000
Bénéfices non répartis	103,536,544	93,435,334
Total de l'avoir des actionnaires	128,136,544	118,035,334
TOTAL	\$167,267,292	\$153,567,438

Au nom du conseil,

Allen A. McMartin }
A. L. Fairley, Jr. } administrateurs

Les notes des pages 28-29 font partie intégrante des états financiers consolidés.



ETAT CONSOLIDE DU REVENU ET DES BENEFICES NON REPARTIS *de l'exercice terminé le 31 décembre 1977*

avec les chiffres de l'exercice précédent pour fin de comparaison

	1977	1976
REVENUS:		
Redevances	\$ 34,027,549	\$29,170,768
Dividendes	4,930,196	4,500,196
Intérêt	3,698,436	3,376,724
Iron Ore Company of Canada (note 2)	4,414,999	2,567,312
Gain sur change	1,106,012	888,139
Autres revenus	691,108	485,288
Production d'or et d'argent (note 5)	—	615,932
Total des revenus	48,868,300	41,604,359
DÉPENSES:		
Exploration (note 6)	1,185,611	1,883,047
Administration	1,401,911	1,366,666
Exploitation minière (note 5)	—	1,553,582
Total des dépenses	2,587,522	4,803,295
REVENU, COMPTE NON TENU DES IMPÔTS ET DES PARTICIPATIONS MINORITAIRES	46,280,778	36,801,064
IMPÔTS:		
Impôts sur le revenu	12,840,000	11,670,000
Impôts sur redevances (Terre-Neuve)	5,959,000	4,930,000
	18,799,000	16,600,000
REVENU, COMPTE NON TENU DES PARTICIPATIONS MINORITAIRES	27,481,778	20,201,064
PARTICIPATIONS MINORITAIRES (note 2)	7,816,088	6,482,493
REVENU NET DE L'EXERCICE	19,665,690	13,718,571
BÉNÉFICES NON RÉPARTIS AU DÉBUT DE L'EXERCICE:		
Solde déjà établi	94,132,734	88,991,150
Redressement d'Iron Ore Company of Canada, moins participations minoritaires (note 2)	(697,400)	(418,387)
Solde redressé	93,435,334	88,572,763
DIVIDENDES	(9,564,480)	(8,856,000)
BÉNÉFICES NON RÉPARTIS À LA FIN DE L'EXERCICE	\$103,536,544	\$93,435,334
BÉNÉFICES PAR ACTION (note 2)	\$4.00	\$2.79

Les notes des pages 28-29 font partie intégrante des états financiers consolidés.

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

de l'exercice terminé le 31 décembre 1977

avec les chiffres de l'exercice précédent pour fin de comparaison

	1977	1976
PROVENANCE DU FONDS DE ROULEMENT:		
Revenu, compte non tenu des participations minoritaires	\$27,481,778	\$20,201,064
Postes n'entraînant pas de déboursés:		
Amortissement	48,309	98,185
Augmentation de l'avoir dans Iron Ore Company of Canada (note 2)	(4,069,894)	(2,269,945)
Perte (gain) sur vente de placements	55,889	(20,290)
Perte sur vente d'actif minier (note 5)	—	321,879
Radiation du coût d'une propriété minière (note 6)	—	644,953
Fonds provenant de l'exploitation	23,516,082	18,975,846
Recouvrement de placements	102,692	147,978
Vente d'actif minier à long terme	—	34,190
Total	23,618,774	19,158,014
UTILISATION DU FONDS DE ROULEMENT:		
Dividendes versés:		
Par la compagnie mère	9,564,480	8,856,000
Par les filiales aux actionnaires minoritaires	4,048,000	3,917,096
Dépenses d'immobilisations et de propriétés minières — nettes	27,685	58,262
Total	13,640,165	12,831,358
AUGMENTATION DU FONDS DE ROULEMENT POUR L'EXERCICE	9,978,609	6,326,656
FONDS DE ROULEMENT AU DÉBUT DE L'EXERCICE	52,893,833	46,567,177
FONDS DE ROULEMENT À LA FIN DE L'EXERCICE	\$62,872,442	\$52,893,833

ÉVOLUTION DU FONDS DE ROULEMENT—augmentation (diminution):

Encaisse et dépôts à court terme	\$ 8,206,427	\$ 4,932,956
Sommes à recevoir	1,602,738	727,016
Matériel et fournitures	—	(496,264)
Sommes à payer et frais courus	(28,070)	269,254
Dividendes à payer	(87,343)	—
Impôts sur le revenu à payer	529,650	346,666
Impôts à payer sur redevances (Terre-Neuve)	(244,793)	547,028
AUGMENTATION DU FONDS DE ROULEMENT POUR L'EXERCICE	\$ 9,978,609	\$ 6,326,656

Les notes des pages 28-29 font partie intégrante des états financiers consolidés.

1. Énoncé des principales conventions comptables

Principes de consolidation: Les états financiers consolidés englobent les comptes de Hollinger Mines Limited et ses filiales, à savoir:

Labrador Mining and Exploration Company Limited
Hollinger North Shore Exploration Company, Limited

Placements: Les placements sont comptabilisés comme suit:

Iron Ore Company of Canada — le placement en actions est comptabilisé à la valeur de consolidation; les débetures sont comptabilisées au coût.

Autres titres — ces titres sont comptabilisés au coût ou, dans le cas d'une dévaluation permanente, à leur valeur de réalisation nette.

Propriétés minières, droits et concessions: Les propriétés minières, droits et concessions sont comptabilisés au coût, moins les sommes radiées. Les coûts sont radiés lorsque la probabilité de réalisation est pratiquement nulle.

Immobilisations: Les immobilisations sont comptabilisées au coût. L'amortissement est calculé selon la méthode de l'amortissement décroissant, à des taux qui varient de 10% à 30%. Le profit ou la perte résultant du retrait ou de la cession est inclus à l'exploitation courante.

Impôts sur le revenu: La compagnie pourvoit aux impôts au cours de l'exercice où les opérations influent sur le revenu net, peu importe le moment où ces opérations sont comptabilisées aux fins de l'impôt.

Conversion des monnaies étrangères: Pour les opérations en monnaies étrangères, la conversion est faite au taux en vigueur au moment de l'opération; les éléments d'actif et de passif à court terme sont convertis au taux en vigueur à la clôture de l'exercice.

Les états financiers d'Iron Ore Company of Canada, qui sont exprimés en dollars américains, sont convertis de la même manière; cependant, les revenus et les dépenses sont convertis au taux moyen de l'exercice, sauf l'épuisement et l'amortissement qui sont basés sur le coût converti de l'élément d'actif à long terme correspondant.

2. Iron Ore Company of Canada

Les détails concernant le placement dans Iron Ore Company of Canada et les revenus qui en découlent s'établissent comme suit:

	1977	1976
Placements:		
Actions:		
Avoir au début de l'exercice:		
Solde déjà établi	\$36,114,673	\$33,526,061
Redressement pour capitalisation de baux	(796,528)	(477,861)
Solde redressé	35,318,145	33,048,200
Augmentation au cours de l'exercice	4,069,894	2,269,945
Avoir à la fin de l'exercice	39,388,039	35,318,145
Débetures	5,493,608	5,493,608
Total	\$44,881,647	\$40,811,753
Revenus:		
Augmentation de l'avoir au cours de l'exercice:		
Solde déjà établi	\$ —	\$ 2,588,612
Redressement pour capitalisation de baux	—	(318,667)
Avoir dans le revenu net déclaré	5,781,409	2,269,945
Perte sur le change non matérialisée relativement à la conversion de l'actif net	(1,711,515)	—
Augmentation nette de l'avoir	4,069,894	2,269,945
Intérêt sur débetures	345,105	297,367
Total	\$ 4,414,999	\$ 2,567,312

Redressement relatif à la capitalisation de baux: Rétroactivement au 1^{er} janvier 1977, Iron Ore Company of Canada a adopté la méthode de capitalisation de la location — financement recommandée par l'article 13 du comité des normes de comptabilité financière de l'American Institute of Certified Public Accountants. En conséquence, la compagnie a redressé les chiffres correspondants de 1976, notamment les bénéfices par action qui ont été réduits de \$0.06.

3. Immobilisations

Les principales catégories d'immobilisations et l'amortissement accumulé s'y rapportant s'établissent comme suit au 31 décembre:

	1977			1976
	Coût	Amortissement accumulé	Net	Net
Wagons à minerai	\$5,473,561	\$5,394,552	\$ 79,009	\$ 98,761
Divers	1,291,369	1,149,493	141,876	136,218
	<u>\$6,764,930</u>	<u>\$6,544,045</u>	<u>\$220,885</u>	<u>\$234,979</u>

4. Capital-actions

Le capital-actions émis au 31 décembre se répartit comme suit:

	1977	1976
Actions de classe A	4,351,194	4,341,425
Actions de classe B	568,806	578,575
Total	<u>4,920,000</u>	<u>4,920,000</u>

Les actions de classes A et B ont plein droit de vote et peuvent être converties réciproquement d'une classe à l'autre, à parité numérique. La seule distinction entre les deux classes d'actions, c'est que les administrateurs peuvent, en déclarant un dividende sur les actions de classe B, spécifier que ce dividende sera payé à même le surplus en main non réparti et libéré d'impôt.

5. Exploitation minière

Au cours de l'exercice 1976, les activités et l'actif connexe de mines exploitées par la compagnie ont été vendus contre une somme de \$600,000 payable vers le 1^{er} juin 1978. À cette somme, vient s'ajouter une redevance sur le minerai extrait et broyé qui varie en fonction du prix de l'or et prend fin lorsque les droits miniers sont abandonnés à la Couronne. La perte de \$321,879 sur la cession figure dans les dépenses d'exploitation minière.

6. Dépenses d'exploration

En 1976, la compagnie a estimé que la probabilité de récupérer des frais de \$644,953 engagés relativement à une propriété minière était pratiquement nulle et, de ce fait, les a radiés au titre de dépenses d'exploration.

7. Impôts sur le revenu

La compagnie peut se prévaloir, en déduction du revenu imposable d'exercices ultérieurs, de pertes d'exploitation s'élevant à environ \$1,625,000, échéant pour la plupart en 1981, ainsi que d'autres montants totalisant environ \$1,150,000 qui restent disponibles indéfiniment et sont principalement applicables aux revenus d'exploitation des ressources.

8. Loi anti-inflation

En vertu de la Loi anti-inflation, le dividende maximum que peut déclarer la compagnie dans les douze mois qui prendront fin le 13 octobre 1978 est de \$2.06064 par action, soit \$0.51516 par trimestre.

La compagnie et ses filiales se sont conformées aux restrictions imposées par la Loi.

9. Rémunération des administrateurs et des principaux dirigeants

La rémunération des administrateurs et des principaux dirigeants, comme la définit la Loi sur les corporations commerciales de l'Ontario, pour l'exercice terminé le 31 décembre 1977 s'est élevée à \$361,722 (1976 — \$346,939).

10. Chiffres de l'exercice précédent

Certains des chiffres de 1976 donnés pour fin de comparaison ont été reclassés pour les rendre conformes à la présentation adoptée en 1977.

LABRADOR MINING AND EXPLORATION COMPANY LIMITED

constituée en vertu des lois de Terre-Neuve

ETAT DES BÉNÉFICES *de l'exercice terminé le 31 décembre 1977*

	1977	1976
Revenus de redevances sur minerai de fer	\$30,262,023	\$25,953,888
Dépenses		
Dépenses d'exploration	656,571	514,816
Frais d'administration	660,024	617,513
Amortissement	17,409	19,153
	1,334,004	1,151,482
Bénéfice d'exploitation	28,928,019	24,802,406
Autres revenus		
Iron Ore Company of Canada		
Augmentation de la valeur de participation (note 2)	1,290,536	719,784
Intérêts sur débentures	109,974	93,495
Dividendes reçus	1,218,372	1,338,372
Autres intérêts	2,619,192	2,238,566
Gain sur change étranger	785,297	678,701
Location de wagons à minerai et revenus divers	122,090	124,991
	6,145,461	5,193,909
Bénéfice avant impôts sur le revenu	35,073,480	29,996,315
Taxes		
Impôts sur redevances de Terre-Neuve	5,959,000	4,930,000
Impôts sur le revenu	11,710,000	10,500,000
	17,669,000	15,430,000
BÉNÉFICE NET	\$17,404,480	\$14,566,315
BÉNÉFICE PAR ACTION	\$5.27	\$4.41

Les notes de la page 31 font partie intégrante des états financiers de Labrador Mining and Exploration Company Limited.

Le capital autorisé se compose de 4,000,000 d'actions ayant une valeur nominale de \$1, dont 3,300,000 sont en circulation. La société Hollinger Mines Limited détient 2,004,777 de ces actions.



ETAT DES BENEFICES NON RÉPARTIS de l'exercice terminé le 31 décembre 1977

	1977	1976
SOLDE AU DÉBUT DE L'EXERCICE		
Tel que déjà établi	\$74,674,838	\$67,267,476
Redressement des contrats capitalisés par Iron Ore Company of Canada (note 3)	(252,574)	(151,527)
Solde redressé	74,422,264	67,115,949
Bénéfice net	17,404,480	14,566,315
Dividendes	(7,840,800)	(7,260,000)
SOLDE À LA FIN DE L'EXERCICE	\$83,985,944	\$74,422,264

Notes aux états financiers de Labrador Mining and Exploration Company Limited au 31 décembre 1977

1. CONVERSION DES DEVICES ÉTRANGÈRES

Les transactions en devises étrangères sont converties aux taux du change en vigueur aux dates des transactions; les devises étrangères de l'actif à court terme et du passif à court terme sont converties au taux du change en vigueur à la fin de l'exercice.

Les états financiers de Iron Ore Company of Canada, lesquels sont en dollars des États-Unis, sont convertis de la même manière; toutefois, les revenus et les dépenses sont convertis au taux moyen de l'exercice, sauf l'amortissement et l'épuisement qui sont basés sur le coût de l'actif à long terme afférent au fur et à mesure qu'il est converti.

2. AUGMENTATION DE LA VALEUR DE PARTICIPATION DE IRON ORE COMPANY OF CANADA

	1977	1976
Participation dans le bénéfice avant conversion de l'actif net	\$1,833,246	\$719,784
Perte d'échange non réalisée à la conversion de l'actif net	542,710	—
	<u>\$1,290,536</u>	<u>\$719,784</u>

3. CHANGEMENT DE LA PRATIQUE COMPTABLE

Depuis le 1er janvier 1977, Iron Ore Company of Canada a adopté, sur une base rétroactive, la pratique de capitaliser ses contrats de location-financement. Les chiffres comparatifs de 1976 visés par l'adoption de cette pratique ont été redressés.

4. LOI ANTI-INFLATION

En vertu de la Loi anti-inflation, le dividende maximum que peut déclarer la compagnie dans les douze mois se terminant le 13 octobre 1978 est de \$2.51856 par action, soit \$.62964 à chaque trimestre, puis-que la compagnie a pour pratique de verser des dividendes trimestriels.

La compagnie se conforme aux restrictions imposées par cette Loi.

5. RENSEIGNEMENTS STATUTAIRES

	1977	1976
Rémunération des administrateurs et des dirigeants principaux	\$225,682	\$210,802
Prêts aux dirigeants principaux à la fin de l'exercice	<u>\$ 13,868</u>	<u>\$ 25,680</u>

HOLLINGER NORTH SHORE EXPLORATION COMPANY, LIMITED

libre de responsabilité personnelle

constituée en vertu de la Loi des compagnies minières du Québec

Le capital autorisé se compose de 15,000,000 d'actions privilégiées, rachetables, 5% non cumulatif, ne comportant pas de droit de vote, d'une valeur nominale de \$1, dont 12,131,875 actions ont été émises, puis rachetées, et de 10,000,000 d'actions ordinaires d'une valeur nominale de \$1, dont 2,426,375 sont en circulation. La société Hollinger Mines Limited détient 1,455,825 de ces actions.

ÉTAT DES BÉNÉFICES

ET DU DÉFICIT de l'exercice terminé le 31 décembre 1977

	1977	1976
Revenus de redevances sur minerai de fer	\$3,765,526	\$3,216,880
Dépenses		
Frais d'exploration	186,400	360,025
Frais d'administration	277,345	292,876
Amortissement	13,880	18,687
	477,625	671,588
Bénéfice d'exploitation	3,287,901	2,545,292
Autres revenus		
Intérêts sur débentures	11,125	8,654
Autres intérêts	55,028	117,269
Gain sur change étranger	—	155,713
Location de wagons à minerai et revenus divers	238,377	256,407
	304,530	538,043
Bénéfice avant impôts sur le revenu	3,592,431	3,083,335
Impôts sur le revenu	1,130,000	1,170,000
BÉNÉFICE NET	2,462,431	1,913,335
BÉNÉFICES NON RÉPARTIS (DÉFICIT) AU DÉBUT DE L'EXERCICE	(701,534)	54,144
	1,760,897	1,967,479
Dividendes versés	2,426,375	2,669,013
DÉFICIT À LA FIN DE L'EXERCICE	\$ 665,478	\$ 701,534
BÉNÉFICE PAR ACTION	\$1.01	\$.79

Notes aux états financiers de Hollinger North Shore Exploration Company, Limited

au 31 décembre 1977

1. Propriétés minières

Selon les termes d'une convention, conclue le 1^{er} janvier 1970, la compagnie a acquis d'une compagnie affiliée certaines propriétés minières non exploitées et certains frais d'exploration, pour lesquels elle s'est engagée d'assumer sa dette au total de \$2,578,000 envers les actionnaires. Cette dette n'est remboursable qu'à même les bénéfices, le cas échéant, que réalisera la compagnie grâce à ces propriétés minières.

2. Loi anti-inflation

En vertu de la Loi anti-inflation, le dividende maximum que peut déclarer la compagnie dans les douze mois se terminant le 13 octobre 1978 est de \$1.2593 par action.

La compagnie se conforme aux restrictions imposées par cette Loi.

3. Renseignements statutaires

La rémunération des administrateurs et des dirigeants principaux se chiffre par \$116,291 en 1977 et par \$152,615 en 1976.



HOLLINGER MINES LIMITED

HOLLINGER MINES LIMITED

ET SES FILIALES

HOLLINGER NORTH SHORE EXPLORATION COMPANY, LIMITED
ET

LABRADOR MINING AND EXPLORATION COMPANY LIMITED

AR14

HOLLINGER MINES LIMITED

AND ITS SUBSIDIARIES

HOLLINGER NORTH SHORE EXPLORATION COMPANY, LIMITED
AND

LABRADOR MINING AND EXPLORATION COMPANY LIMITED

Aux actionnaires.

Il me fait plaisir de vous présenter, sous réserve d'une vérification comptable, les états consolidés des bénéfices et de l'évolution de la situation financière de Hollinger Mines Limited et de ses filiales, Labrador Mining and Exploration Company Limited et Hollinger North Shore Exploration Company, Limited pour les six mois terminés le 30 juin 1977.

Les bénéfices nets pour Hollinger au cours de cette période de 1977 furent de beaucoup au-dessus des chiffres de 1976, s'élevant à \$7,701,000 ou \$1.57 par action en comparaison de \$4,016,000 ou \$0.82 par action en 1976. Le revenu pour la période de 1977 s'éleva à \$20,264,000 contre \$15,656,000 en 1976.

Les revenus des trois principales sources de Hollinger soit le revenu en redevances sur le minerai de fer, en dividendes et en intérêt, furent tous plus élevés en 1977 qu'en 1976. Les taxes furent plus élevées en conséquence.

Le revenu en redevances au cours des six premiers mois de 1977 s'éleva à \$14,332,000 en comparaison de \$11,911,000 il y a un an. Le revenu en dividendes à \$1,960,000 est plus élevé que \$1,810,000 en 1976 par suite des dividendes provisoires plutôt qu'annuels payés par Hollinger-Hanna Limited. Le revenu d'intérêt de \$1,817,000 fut au-dessus du chiffre de 1976 qui était de \$1,746,000. Le gain sur la devise étrangère au cours de la période, s'éleva à \$778,000 en comparaison d'une perte de \$542,000 en 1976. La part des bénéfices dans Iron Ore Company of Canada, où Hollinger possède un avoir, fut de \$1,006,000 en 1977 en comparaison d'une perte de \$163,000 au cours de la période de 1976.

Les taxes augmentèrent de \$1,410,000 pour atteindre un total de \$8,015,000 au cours de la période et l'impôt sur le revenu augmenta de \$4,514,000 à \$5,538,000 et les taxes minières de Terre-Neuve augmentèrent de \$2,091,000 en 1976 à \$2,477,000 en 1977.

J'aimerais vous faire remarquer qu'un montant de \$301,000 indiqué comme perte sur la disposition de propriétés minières dans le rapport provisoire de 1976, a été reclassifié pour se conformer à la manière selon laquelle les états furent présentés à la fin de l'exercice, et ce montant est maintenant compris dans l'état des bénéfices en 1976 comme dépenses d'exploitation minière.

Comme je l'ai dit dans le passé, il existe une activité saisonnière dans l'industrie du minerai de fer dont Hollinger obtient une grande partie de son revenu, et les résultats de toute période particulière ne représentent pas nécessairement le rendement de tout l'exercice. La production des aménagements de la Compagnie Iron Ore continue de montrer une amélioration encourageante et bien que l'industrie d'acier dans le monde entier procède plus lentement vers la récupération que les prévisions faites, il y a quelques mois, 1977 laisse prévoir une année satisfaisante pour Hollinger.

Votre tout dévoué,

A.L. Fairley, Fils
Président

To the Shareholders:

I am pleased to present to you the unaudited, consolidated Statements of Earnings and Changes in Financial Position of Hollinger Mines Limited and its subsidiaries, Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Company, Limited for the six months period ended June 30, 1977.

Net earnings for Hollinger in the 1977 period were sharply above those of 1976, amounting to \$7,701,000 or \$1.57 per share compared to \$4,016,000 or \$0.82 per share in 1976. Revenue for the 1977 period amounted to \$20,264,000 against \$15,656,000 in 1976.

Revenue from Hollinger's three major sources — income from royalties on iron ore, dividends and interest — were all higher in the 1977 period than in 1976. Taxes were correspondingly higher.

Royalty income in the first six months of 1977 amounted to \$14,332,000 compared to \$11,911,000 a year earlier. Dividend income at \$1,960,000 was up from \$1,810,000 in 1976, due to the interim, rather than annual, dividend paid by Hollinger-Hanna Limited. Interest income of \$1,817,000 was above the 1976 figure of \$1,746,000. Gain on foreign exchange in the period amounted to \$778,000 compared to a loss of \$542,000 in 1976. Share of earnings in Iron Ore Company of Canada, in which Hollinger has an equity interest, was \$1,006,000 in 1977 against a loss of \$163,000 in the 1976 period.

Taxes increased by \$1,410,000 to a total of \$8,015,000 in the period with income taxes up from \$4,514,000 to \$5,538,000 and Newfoundland royalty taxes up from \$2,091,000 in 1976 to \$2,477,000 in 1977.

I would point out that an amount of \$301,000 shown as Loss on Disposal of Mining Properties in the interim 1976 report has been reclassified to conform to the manner in which statements were presented at year-end and is now included in the Statement of Earnings in 1976 as a mining operation expense.

As I have said in the past, there is a seasonal nature to the iron ore industry from which Hollinger derives much of its income and results of any one period are not necessarily indicative of year-long performance. Production from Iron Ore Company facilities continues to show encouraging improvement and, although the worldwide steel industry is moving more slowly towards recovery than anticipated some months ago, it is expected that 1977 will be a satisfactory year for Hollinger.

Yours very truly,

A. L. Fairley, Jr.,
Président

August 18, 1977

CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months Ended June 30, 1977
(000's Omitted)

REVENUE	
Royalties	
Dividends	
Interest — other	
Iron Ore Company of Canada	
Debiture Interest	
Share of earnings (loss)	
Gain on foreign exchange	
Ore car rentals and sundry	
Gold and silver production	
Total Revenue	

EXPENSE	
Exploration	
Administration	
Mining operations	
Depreciation	
Total Expenses	
Income before taxes and minority interests	
Taxes:	
Income taxes	
Newfoundland Royalty taxes	
Total taxes	
Net earnings before deducting minority interests	
Minority interests	
Net earnings for the period	
Earnings per share	

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended June 30, 1977
(000's Omitted)

WORKING CAPITAL DERIVED FROM:	
Net earnings before minority interests	
Provision for depreciation	
Share of Loss (Earnings) from Iron Ore Company of Canada	
Loss on disposal of Investment	
Loss on disposal of Mine Properties	
Proceeds from disposal of mine properties	
Investments — net	

WORKING CAPITAL APPLIED TO:	
Dividend:	
Parent Company	
To Minority Interests	
Purchase of Fixed Assets	

Increase in Working Capital

1977	Actual	Actuel
	\$ 14,332	
	1,960	
	1,817	
	157	
	1,006	
	778	
	214	
	—	
	\$ 20,264	

\$ 506	
664	
—	
19	
\$ 1,189	
\$ 19,075	
\$ 5,538	
2,477	
\$ 8,015	
\$ 11,060	
3,359	
\$ 7,701	
\$ 1.57	

1976	Actual	Actuel
	\$ 11,911	
	1,810	
	1,746	
	138	
	(163)	
	(542)	
	97	
	659	
	\$ 15,656	

DÉPENSES	
Exploration	
Administration	
Exploitation minière	
Amortissement	
Total des dépenses	
Revenu avant les taxes et intérêts minoritaires	
Taxes:	
Impôts sur le revenu	
Taxes minières de Terre-Neuve	
Total des taxes	
Bénéfices nets avant déduction des intérêts minoritaires	
Intérêts minoritaires	
Bénéfices nets pour la période	
Bénéfices par action	

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

Pour les six mois terminés le 30 juin 1977
(en milliers de dollars)

FONDS DE ROULEMENT PROVENANT DE:	
Bénéfices nets avant intérêts minoritaires	
Réserves pour amortissement	
Part de la perte (bénéfices) d'Iron Ore Company of Canada	
Perte sur la disposition de placements	
Perte sur la disposition de propriétés minières	
Produits de la disposition des propriétés minières	
Placements — net	

UTILISATION DU FONDS DE ROULEMENT:	
Dividendes:	
Compagnie-mère	
Aux intérêts minoritaires	
Achats d'immobilisations	
Augmentation du fonds de roulement	

1976	Actual	Actuel
	\$ 6,392	
	77	
	163	
	—	
	301	
	\$ 6,933	
	54	
	107	
	\$ 7,094	

\$ 4,428	
1,425	
55	
\$ 5,908	
\$ 1,186	

HOLLINGER MINES LIMITED

ET SES FILIALES

HOLLINGER NORTH SHORE EXPLORATION COMPANY, LIMITED
ET

LABRADOR MINING AND EXPLORATION COMPANY LIMITED

AR14

le 23 mai 1977

Aux actionnaires,

Voici les états consolidés, sujets à vérification comptable, des bénéfices et de l'évolution de la situation financière pour les trois mois terminés le 31 mars 1977, de Hollinger Mines Limited et de ses filiales, Labrador Mining et Exploration Company Limited et Hollinger North Shore Exploration Company, Limited. Les chiffres de la période correspondante de 1976 sont inclus pour comparaison.

De meilleurs résultats d'exploitation à la Compagnie Iron Ore dont Hollinger possède une participation au capital, et un taux favorable du change étranger ont contribué aux bénéfices du premier trimestre pour Hollinger qui furent de beaucoup supérieurs à ceux de la même période en 1976. On doit noter cependant, que par suite de la nature saisonnière de l'industrie du minéral de fer qui constitue une source importante de revenu pour Hollinger, les résultats au cours d'une seule période ne sont pas des indices du rendement pendant 12 mois.

Au cours des trois premiers mois de 1977, Hollinger a réalisé des bénéfices nets de \$3,024 millions soit \$0.62 par action avec revenus de \$8,370 millions en comparaison de bénéfices nets de \$1,208 million soit \$0.25 par action avec des revenus de \$5,937 millions pour la période correspondante de 1976. Les redevances sur le minéral de fer au montant de \$5,780 millions furent la source la plus considérable de revenu pour Hollinger au cours de la période, et l'augmentation est de \$4,622 millions sur la période correspondante en 1976. Le revenu des dividendes a baissé légèrement mais le revenu d'intérêt fut quelque peu plus élevé qu'au cours du trimestre en 1976. La part de Hollinger des bénéfices de la Compagnie Iron Ore fut de \$53,000 au cours du premier trimestre de 1977 en comparaison d'une perte de \$993,000 au cours de la période correspondante en 1976. Le gain sur le change étranger qui n'existait pas en 1976, s'est élevé à \$639,000 au cours de la période de 1977.

Les impôts de \$3,482 millions pour le trimestre de 1977 dépassèrent de \$923,000 les impôts du même trimestre en 1976 et comprenaient l'impôt sur le revenu s'élevant à \$2,515 millions pour le trimestre de 1977 en comparaison de \$1,734 million en 1976, et les taxes minières de Terre-Neuve furent de \$967,000 en comparaison de \$825,000 il y a un an.

Le fardeau fiscal sur l'industrie minière au Canada a depuis longtemps attiré le point des rendements décroissants et est devenu un facteur important dans la diminution de l'exploitation minière au Canada et de l'augmentation de l'exploitation par les compagnies minières canadiennes, dans les pays qui offrent de meilleures opportunités pour une exploitation minière profitable.

Le Canada a un besoin urgent d'emplois supplémentaires et de monnaie étrangère offerts par une industrie minière en progression, et il est malheureux et non nécessaire que les compagnies minières canadiennes soient amenées par des taxes excessives, à orienter leurs efforts d'exploration vers d'autres pays.

Après un début lent, l'industrie d'acier aux États-Unis semble de nouveau reprendre un certain progrès vers des niveaux plus élevés d'opération et cette situation en plus de l'amélioration continue prévue du rendement de la Compagnie Iron Ore, suggèrent que 1977 devrait être un autre exercice satisfaisant pour Hollinger.

Votre tout dévoué,

A. L. Fairley, fils
Président

HOLLINGER MINES LIMITED

AND ITS SUBSIDIARIES

HOLLINGER NORTH SHORE EXPLORATION COMPANY, LIMITED
AND

LABRADOR MINING AND EXPLORATION COMPANY LIMITED

May 23, 1977

To the shareholders:

Submitted herewith are the unaudited, consolidated Statements of Earnings and Changes in Financial Position for the three months ended March 31, 1977 of Hollinger Mines Limited and its subsidiaries Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Company, Limited. Figures for the corresponding period of 1976 are included for comparison.

Better operating results at Iron Ore Company, in which Hollinger has an equity interest, and a favorable rate of foreign exchange contributed to first quarter earnings for Hollinger which were well above those of the same period of 1976. It should be noted, however, that because of the seasonal nature of the iron ore industry which is a major source of Hollinger revenue, results in any one period are not reliable indicators of 12-months performance.

In the first three months of 1977 Hollinger had net earnings of \$3,024 million or \$0.62 per share from revenues of \$8,370 million, compared to net earnings of \$1,208 million or \$0.25 per share from revenues of \$5,937 million in the corresponding period of 1976. Royalties on iron ore at \$5,780 million were Hollinger's largest source of income in the period and were up from \$4,622 million in the corresponding period of 1976. Dividend income was down slightly but interest income was somewhat higher than in the 1976 quarter. Hollinger's share of earnings in Iron Ore Company were \$53,000 in the first quarter of 1977 against a loss of \$993,000 in the corresponding period of 1976. Gain on foreign exchange, which was absent in 1976, amounted to \$639,000 in the 1977 period.

Taxes of \$3,482 million for the 1977 quarter were \$923,000 above those of 1976 and were comprised of income taxes amounting to \$2,515 million in the 1977 quarter against \$1,734 million in 1976 and Newfoundland royalty taxes of \$967,000 compared to \$825,000 a year earlier.

The tax burden on the mining industry in Canada has long since reached the point of diminishing returns and has become an important consideration in the decline of mining exploration in Canada and the increased activity by Canadian mining companies in exploration in countries offering better opportunities for profitable mining operations. Canada urgently needs the additional jobs and foreign exchange offered by an expanding mining industry and it is both unfortunate and unnecessary that Canadian mining companies are being induced by excessive taxes to divert their exploration efforts to other countries.

After a slow start the American steel industry appears again to be making some progress towards higher levels of operation and this, together with anticipated continued improvement in the performance of Iron Ore Company, suggests that 1977 should be another satisfactory year for Hollinger.

Yours very truly,

A. L. FAIRLEY, JR.,
President.

CONSOLIDATED STATEMENT OF EARNINGS

For the Three Months Ended March 31, 1977

(000's Omitted)

REVENUE	
Royalties	
Dividends	
Interest — other	
Iron Ore Company of Canada	
Debenture interest	
Share of earnings (loss)	
Gain on foreign exchange	
Ore car rentals and sundry	
Gold and silver production	
Total Revenue	
EXPENSE	
Exploration	
Administration	
Mining operations	
Depreciation	
Total Expense	
Income before taxes and minority interest	
Taxes:	
Income taxes	
Newfoundland Royalty taxes	
Total taxes	
Net earnings before deducting minority interests	
Minority interest	
Net earnings for the period	
Earnings per share	

CONSOLIDATED STATEMENT OF CHANGES IN

FINANCIAL POSITION

For the Three Months Ended March 31, 1977

(000's Omitted)

WORKING CAPITAL DERIVED FROM:	
Net earnings before minority interest	
Provision for depreciation	
Share of Loss (Earnings) from Iron Ore Company of Canada	
Investments — net	
WORKING CAPITAL APPLIED TO:	
Dividend:	
Parent Company	
To Minority Interests	
Purchase of Fixed Assets	
Increase in Working Capital	
May 23, 1977	

ÉTAT CONSOLIDÉ DU REVENU

Pour les trois mois terminés le 31 mars 1977

(en milliers de dollars)

REVENU	
Redevances	
Dividendes	
Intérêt — autre	
Iron Ore Company of Canada	
Intérêt sur débentures	
Part des bénéfices (perte)	
Gain sur le change étranger	
Location de wagons pour minerai et divers	
Production d'or et d'argent	
Revenu total	
DÉPENSES	
Exploration	
Administration	
Exploitation minière	
Amortissement	
Dépenses totales	
Revenu avant impôts et intérêt minoritaire	
Taxes:	
Impôts sur le revenu	
Taxes minières de Terre-Neuve	
Taxes totales	
Bénéfice net avant déduction des intérêts minoritaires	
Intérêt minoritaire	
Bénéfice net pour l'exercice	
Bénéfice par action	

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA

SITUATION FINANCIÈRE

Pour les trois mois terminés le 31 mars 1977

(en milliers de dollars)

FONDS DE ROULEMENT PROVENANT DE:	
Bénéfice net avant intérêts minoritaires	
Provision pour amortissement	
Part des pertes (bénéfice) de Iron Ore Company of Canada	
Placements — net	
UTILISATION DU FONDS DE ROULEMENT:	
Dividendes:	
Compagnie mère	
Aux intérêts minoritaires	
Achats d'immobilisations	
Augmentation du fonds de roulement	
Le 23 mai 1977	

AR14

Hollinger Mines Limited



Report of the
ANNUAL MEETING OF SHAREHOLDERS
held May 11th, 1977
in the Governor General Suite,
Hotel Toronto,
145 Richmond Street West,
Toronto, Ontario

ADDRESS OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER TO THE SHAREHOLDERS AT THE ANNUAL MEETING

Ladies and Gentlemen:—

This is the 66th annual meeting of Hollinger shareholders and it gives me a great deal of pleasure to welcome you here today. I want to assure you that the interest you have shown in company affairs by your attendance this morning is very much appreciated by the directors and officers of this company.

The annual report of Hollinger Mines Limited for the year ended December 31, 1976, was mailed to you on April 13th. Following the practice of previous years, Hollinger statements have been consolidated with those of its subsidiaries, Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Company, Limited. As you have had an opportunity to examine the contents of the annual report, I shall not repeat many details at this time but, rather, will keep these remarks brief and will assume that you will take advantage of the question period following these remarks to ask for further information if that is required.

SUMMARY

In retrospect, 1976 was a satisfactory year for Hollinger with earnings slightly above those of the preceding year. Net income for 1976 was \$14 million, the equivalent of \$2.85 per share, compared to \$13.46 million or \$2.73 per share in 1975. Taxes, of course, were also correspondingly higher.

Dividends paid by Hollinger were influenced by anti-inflation legislation and were at the rate of \$0.45 per share quarterly for a total of \$1.80 for the year. However, beginning with the 1st Quarter of this year, the dividend was raised by 8% to an annual rate of \$1.944 (which is the maximum allowed under the AIB regulations).

Production from the new and expanded Iron Ore Company of Canada facilities, at Labrador

City and Sept-Iles, continued to show improvement throughout the year, and was continuing to rise at year end. Records were established in both tonnages of crude ore mined and processed, and in tonnages of product sold.

The steel industry exhibited some increase in strength during 1976 but not as much as had been anticipated early in the year. As a consequence, in spite of rising production costs, only a nominal increase of about 5% in the price of pellets was obtained during the year.

INVESTMENTS

Hollinger investments remained generally unchanged throughout 1976. These investments included 60.75% of Labrador Mining and Exploration Company Limited, and 60% of Hollinger North Shore Exploration Company, Limited.

Hollinger Mines and Labrador Mining together continue to hold an equity interest in excess of 10% in Noranda Mines Limited and an equity interest of 12.11% in Iron Ore Company of Canada. Labrador Mining also holds 300,000 shares of Domtar Limited.

REVENUE

Hollinger had total revenue in 1976 of \$41.84 million compared to \$39.22 million in 1975. Royalties on iron ore yielded \$29.17 million or about 70% of the total revenue for the year. Dividends, which were down slightly from the previous year because of the reduction in dividend rates of Domtar and Noranda Mines, were the second largest source of revenue, followed by interest income. Income taxes amounted to \$11.67 million and Newfoundland royalty tax was \$4.93 million for a total of \$16.60 million. This \$16.60 million is an interesting figure, when you realize that our after tax earnings were only \$14 million. Hollinger ended the year in excellent financial condition with no significant debts. Shareholders' equity at \$118.73 million was up about \$5.14 million and working capital of \$52.90 million was up \$6.33 million from last year.

LABRADOR MINING

Labrador Mining and Exploration Company Limited completed its 41st year of operation in the Labrador Trough in 1976 and enjoyed a record year with net earnings of \$14.67 million, the equivalent of \$4.44 per share. Net earnings in 1975 were \$13.12 million or \$3.98 per share. Taxes paid by this subsidiary in 1976 were correspondingly higher than in 1975 amounting to \$15.43 million against \$13.45 million a year earlier. The \$15.43 million total included income taxes of \$10.5 million and Newfoundland royalty taxes, which became effective for the first time in 1975, of \$4.93 million.

HOLLINGER NORTH SHORE

Hollinger North Shore Exploration Company, Limited, had net earnings in 1976 of \$1.91 million or \$0.79 per share, up from last year's \$1.73 million or \$0.71 a share.

MINING OPERATIONS

For the first time in its 66-year history, Hollinger Mines is no longer actively engaged in gold mining. The Hollinger Mine at Timmins, with its residual ore, and the Ross Mine at Holtyre, were both sold to Pamour Porcupine Mines Limited during the year on a basis outlined in detail in the annual report. There were no employees at the Hollinger properties at the time of the transfer and a great deal of care was taken at the Ross Mine to avoid dislocation and inconvenience to the employees, most of whom continue to be employed there. Hollinger will continue to receive some revenue from these properties on a royalty basis related to production and the price of gold. Hollinger retains the New Kelore property adjacent to the Ross and has written off the exploration expenses incurred on this property.

IRON ORE

Iron Ore Company facilities at Labrador City and Sept-Iles moved closer to design-level production in 1976, leading to higher production of crude ore and a higher volume of product sales than in

1975. Crude ore production reached 50.40 million tons in 1976, the highest on record, up from the record 48.76 million tons a year earlier. Total sales of iron ore product during the year amounted to 24.4 million tons, compared to 22.7 million tons in 1975. Sales in 1976 were composed of 13.9 million long tons of pellets, 7.2 million tons of concentrate and 3.3 million tons of direct shipping ore.

EXPLORATION

Exploration expenses for Hollinger in 1976, including a write-off of \$645,000 at New Kelore, were \$1.89 million, up about three-quarter of a million from the previous year, practically all of which was the write-off of work done at New Kelore over the last several years. While some of the exploration work done yielded results of sufficient interest to warrant future work in 1977, no new, viable ore body was discovered. One event of significance was the opening in 1976 of an exploration office in Reno, Nevada. The establishment of this office foreshadows an increasing interest in exploration activities outside Canada.

Traditionally, Hollinger and its subsidiaries have concentrated most of their exploration efforts in Canada, but fiscal responsibility dictates that the company seek new ore bodies in countries where tax structures offer better opportunities than Canada for recovering investment and making a profit from a viable discovery. Hollinger will continue mining exploration work in Canada but no longer will this country be the exclusive area of our exploration activities.

TAXATION

Mining exploration in general continues to decline in Canada and it is declining because the mining industry is a victim of unrealistic tax structures. A decline in exploration always foreshadows a drop in mineral production and this is occurring in Canada at a time when the country desperately needs additional jobs and foreign exchange that an expanding mining industry would provide.

Not only is the Canadian mining industry afflicted with a tax burden which discourages investment in such high-risk activities as mining, exploration and development, but it is also victimized by what amounts to a tug-of-war between federal and provincial governments over the mining tax dollar.

In the years immediately ahead, there will be a pressing need in Canada for more jobs and more foreign exchange. An expanding Canadian mining industry could contribute substantially to satisfying these needs. The potential for such expansion exists. Unhappily, present tax structures discourage expansion of the mineral industry. Mining, of course, is quite sensitive to metal prices, but the tax laws governing mining are also a major factor in determining whether or not mining can be profitable in Canada, and this, of course, determines whether the industry will advance or decline.

SEAWAY

The federal Minister of Transport has indicated that there will be substantial increase in Seaway tolls in the near future. Such an increase will bear heavily on Hollinger and its subsidiaries as it will on all eastern Canada iron ore producers who use the Seaway to reach the iron ore market in the steel-making areas of central Canada and north central U.S.A. These tolls represent a cost not borne by competing producers of iron ore in the Upper Great Lakes region. Their product sails toll-free down this waterway to market. Thus, the competitive position of eastern Canadian iron ore producers is made more difficult because of these tolls which do not apply to their U.S. competitors in northern Minnesota, Wisconsin and Michigan.

Iron ore represents a significant percentage of Seaway traffic. Increased tolls which would have the effect of diverting iron ore shipments to a less expensive eastern seaboard route would be self-defeating, leading to less, rather than more, Seaway revenue.

In view of the fact that commerce passes toll-

free on all other river trade routes in North America, it is the conviction of Hollinger that, rather than being increased, Seaway tolls should be abolished.

QUEBEC

The implications of the election of the Parti Quebecois in the Province of Quebec in November 1976, remain a problem and a challenge to all Canadians. The Parti Quebecois campaigned on a platform of good government and, in due course, it may or may not have a mandate to separate the province from Canada, but, it is, nevertheless, a governing party dedicated to separatism. Whether or not this will come about remains to be seen, but it is obvious that Canada is on the brink of change of some kind. This could take the form of a separate Quebec or it could lead to a revision of provincial responsibilities within the constitution of a federation. About 90% of the reserves, and ore mined, by Iron Ore Company are located in Newfoundland and the balance in Quebec. Iron Ore Company does have, however, large facilities for the production of concentrate and pellets as well as large terminal facilities and a large port in Sept-Iles, Quebec. There is no indication, at this time, that iron ore operations in Quebec would be adversely affected by the government of Quebec, whatever form it takes. However, no one knows the ultimate outcome; but, like everyone else, we will just have to deal with this situation as it develops.

THE CANADIAN DOLLAR

The premium of the American dollar now existing in relation to the Canadian dollar has some implications for Hollinger earnings and Hollinger shareholders. Iron ore sales are made in American dollars and the U.S. premium provides some advantages in terms of revenue. Completely aside from the effect on Hollinger operations, there is no question that a modest discount of the Canadian dollar, in relation to the American dollar, is logical and, in fact, healthy in relation to present economic realities in the two countries.

Canada's wage rates, particularly in manufacturing, are now substantially above those of the

United States, our largest trading partner. Productivity by and large is lower here than in the U.S. We support a higher level of social services on a smaller manufacturing base than the U.S. does. These circumstances contribute to an economic imbalance between trading partners. The discount of the Canadian dollar — provided it does not become too great — will help to rationalize these discrepancies, particularly those developing between the economy of Canada and the economy of the U.S.A.

FIRST QUARTER RESULTS

During the 1st Quarter of this year, Hollinger had net income of \$3.024 million or 62 cents per share. This compares with \$1.208 million or 25 cents per share last year.

Increased earnings this year are attributable to several factors, the most important of which was improvement in the results of the Iron Ore Company of Canada, in which Hollinger has an equity interest. The Iron Ore Company had earnings of \$414 thousand in the first quarter of 1977, compared to a loss of \$8.327 million last year. Hollinger's share of these earnings was \$53 thousand, compared to our share of loss last year of \$993 thousand.

Royalty income in the three months to March 31, 1977 was \$5.78 million, compared with \$4.622 million in the first quarter last year.

Foreign exchange gains as a result of discount on the Canadian dollar provided income of \$637 thousand in the first quarter of 1977, for which there was no comparable figure last year.

Income taxes and Newfoundland Royalty taxes totalling \$3.482 million compare with \$2.559 million last year.

Once again, I would like to remind you, however, the most of Hollinger's earnings are made in the third and fourth quarters, so too much emphasis should not be placed on these first quarter figures.

I would also like to announce that Mr. W. J. Bennett is retiring and has chosen not to stand for

reelection to the Board of Directors of our subsidiary, Labrador Mining. Mr. Bennett has served on Labrador's Board since June 1964 and his advice and counsel to that company will be greatly missed.

Mr. Richard Geren, Executive Vice-President of Iron Ore Company of Canada, will be nominated later today to fill the vacancy on the Labrador Board.

THE FUTURE

Sales of iron ore represent Hollinger's most important source of revenue and such sales will continue to be sensitive to the strength of steel operations in America and abroad. The European and Oriental steel industries continue to experience difficulties, but the industry on this continent, after a bad first quarter, now appears to be making some headway towards recovery. However, the performance is likely to be uneven for the remainder of 1977.

It is encouraging to observe the improving production performance at Iron Ore Company plants at Labrador City and Sept-Iles. It is anticipated that this improvement will continue throughout the year and will result in a higher volume of sales and better profit margins. Consequently, barring unforeseen developments, 1977 should be a satisfactory year for Hollinger with anticipated earnings somewhat higher than those of 1976.

DIRECTORS

I am sure you will wish to join me in a special welcome to this annual meeting to Mr. Maurice Archer of Montreal who joined the company's Board of Directors in October 1976.

APPRECIATION

It is now my pleasure to extend to employees and staff the appreciation of the Board of Directors for their effective performance and cooperation throughout 1976.

Thank you, Ladies and Gentlemen.

This concludes my remarks at this time, and, if there are any questions with respect to my remarks, I will be pleased to try to answer them.

The summary which follows is for the benefit of shareholders who were unable to attend the Annual Meeting of Shareholders held on May 11, 1977 at 11:00 a.m., in the Governor General Suite, Hotel Toronto, Toronto, Ontario.

Represented at the meeting, either in person or by proxy, were 3,769,131 shares, being approximately 76.6% of the issued shares.

An Address was delivered by Mr. A. L. Fairley, Jr., President and Chief Executive Officer of the Company, the text of which is set forth on Pages 1 to 8 inclusive.

The Annual Report, including the Auditors' Report, was submitted to the meeting.

The following Directors were elected: Maurice Archer, Lewis H. M. Ayre, David M. Dunlap, A. L. Fairley, Jr., P. C. Finlay, A. Bruce Matthews, John A. McDougald, Allen A. McMartin, Duncan McMartin and Maxwell C. G. Meighen.

Messrs. Deloitte, Haskins & Sells, Chartered Accountants, were appointed Auditors.

At the Directors' Meeting following the Annual Meeting the following Officers were elected or appointed for the ensuing year:

ALLEN A. MCMARTIN	— Chairman of the Board
A. L. FAIRLEY, JR.	— President and Chief Executive Officer
P. C. FINLAY	— Vice-President and Treasurer
JOHN A. MCDUGALD	— Vice-President and Chairman of the Executive Committee
C. BRUCE ROSS	— General Manager
C. G. COWAN	— Secretary
MARGARET THOMSON	— Assistant Secretary

The following Directors were elected as Members of the Executive Committee:

A. L. FAIRLEY, JR.
P. C. FINLAY
JOHN A. MCDUGALD
ALLEN A. MCMARTIN
MAXWELL C. G. MEIGHEN

The following Directors were elected as Members of the Audit Committee:

DAVID M. DUNLAP
A. L. FAIRLEY, JR.
MAXWELL C. G. MEIGHEN

